



Nordic Council
of Ministers



Nordic Economic Outlook 2019

Annual report on the economic development
in the Nordic countries in terms of growth,
business cycles and public finance

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Nordic Council of Ministers/Publication Unit
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Denmark
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The Nordic Council of Ministers

Nordens Hus
Ved Stranden 18
DK-1061 Copenhagen
pub@norden.org

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Summary

This report of economic development in the Nordic countries has been prepared by the Nordic Macroeconomic Group and describes the economic outlook in the five Nordic countries. The economic outlook is based on the budget bill forecast from the autumn 2019 for all countries except from Iceland, where the forecast was published in May.

Global developments

The slowdown in global growth, which started in 2018, has continued in 2019. There has been a marked slowdown in industrial production, partly because trade tensions have increased even further. The fiscal expansion in the US has returned to a more normal pace and macroeconomic conditions in key emerging markets have been weak.

Forward looking indicators show that the slowdown in the industrial sector will continue in the near term, and it is not clear whether the divergence between the industry and service sectors will continue. So far, the service sectors have shown considerable strength in Europe and the USA compare to the industrial sector (that more directly is affected by the elevated trade tensions).

Forecasts are uncertain and downside risks are substantial both in the short and medium term. Some of the downside risks recognized in our last report has already materialised. Trade tensions are pulling down consumer and business confidence as well as investments. Further increase in trade barriers could reduce global growth substantially. Greater protectionism would result in costlier, more difficult, and probably also smaller cross border trade and investments, which would have a negative impact on productivity growth. Financial markets are still vulnerable. Asset prices are at historically high levels and an unexpected correction is a risk to growth in some economies. Debt levels remain elevated in many countries, limiting fiscal space and making households and businesses sensitive to interest rate changes. The uncertainty around Brexit are causing additional uncertainty. The situation in the Italian banking sector is causing concern, though the risk of contagion appears to be moderate at the current moment.

Labour markets have shown continued improvement across the majority of advanced economies, and unemployment in Europe and US are at its lowest level in decades. Despite the strong labour market performance, wage and price growth has remained weak. Moderate growth in productivity may provide some explanation for the weak development. In Europe, there has also been an increase in part-time work, and unemployment levels may underestimate the slack in the labour market. In the US, labour market participation is still well below its pre-crisis levels.

Developments in the Nordic countries

All five Nordic countries expect continued growth going forward but are at somewhat different stages in the business cycle. The Danish economy is currently in a long-lasting economic upswing. The outlook for the Finnish economy remains positive despite worrying economic news received from elsewhere in the world. Iceland is expected to be in a slight recession in 2019. In Norway, there is a strong growth in the economy that is expected to peak in 2019. After several years of high growth, there is now a slowdown in the Swedish economy.

In Denmark, a strong labour market underpins the long-lasting upswing. The upswing started in 2013, and the Danish economy has reached a stage in the business cycle, where capacity constraints are beginning to bind. The upswing is expected to continue in 2019–2020, but at a slower pace than in the previous four years.

The short-term outlook for the Finnish economy remains positive despite worrying economic news received from elsewhere in the world. Economic growth will be sustained by domestic demand over the coming years. Growth of private investments and consumption will slow down as the uncertainties in the external environment are reflected in the expectations of Finnish companies and consumers. Public consumption and investments will contribute markedly to GDP growth, especially in 2020.

After growing by 34% since 2010, an average growth rate of 3.7% per year, the Icelandic economy is expected to contract by 0.2% this year due to shocks in tourism and fisheries. Nevertheless, the country's economic fundamentals are strong. The current account has been in sustained surplus since 2013 and the net foreign asset position has turned positive (22% of GDP) for the first time in decades. Both public and private entities have used the expansion to pay down debt and as a result balance

sheets have improved dramatically, thereby increasing the economy's resilience to downturns. Overall, labour market conditions remain favourable. Registered unemployment has risen less than anticipated in early 2019 and stands at 3.5% and labour force participation remains above 80%.

The Norwegian economy is in its third year of a cyclical upturn. Economic growth is expected to be above trend both this and next year. Optimism is widespread across most sectors, employment is increasing rapidly, and unemployment has declined.

After several years of high growth, there is now a slowdown in the Swedish economy, although resource utilisation is still assumed to be higher than normal. Demand for labour has decreased somewhat during 2019 but is still relatively high. Domestic demand has largely driven growth in recent years. In 2020, GDP growth is expected to attenuate somewhat, due to lower housing investments as well as slower growth in government consumption and in exports.

Importance of trade

As open, advanced economies, the Nordic countries are reliant on global trade, reflected not only in the orientation of exports but also in the high level of integration in global value chains. Distinctive features of the trade profile in the Nordic countries are that goods exports exceed service exports, except for Iceland, and that exports are concentrated in certain industries or products. In Norway, a considerable share of exports involve oil, in Finland paper, and in Iceland tourism, while Sweden and Denmark show a more diversified export profile.

Open markets, trade and cross-border investments play an important role in the variety of goods and services available to households and businesses and for productivity growth. Cross-border activities bring in new ideas and help domestic economies remain in touch with global innovations. Open markets and trade also enable economies of scale and increase competition, which encourages the use of new, more efficient technology. These factors play a more important role for smaller economies, like those of the Nordic countries, than for bigger ones.

Public finances

The Nordic countries have healthy public finances. Solid growth, strengthening labour markets and policy efforts have improved fiscal conditions.

In Denmark, fiscal policy is planned in accordance with the medium term objective of structural budget balance in 2025. This target sets the overall framework for the fiscal space in the years to come. The current economic upswing in combination with unusually low interest rates invites to a certain caution when planning fiscal policy. In the past years, the margin to the deficit limit of 0.5% of GDP in the Budget Law has been increased, and the proposed budget bill for 2020 entails an estimated structural budget balance of -0.1% of GDP in 2020. The EMU debt is substantially below the debt limit of 60% of GDP stated in the EU Stability and Growth Pact, and in 2018, the net public debt turned to a positive net worth, and a continued positive net worth equivalent to approximately 3.5% of GDP is projected for 2019 and 2020

In Finland, general government expenditure has remained higher than general government revenue throughout the current economic upturn. Finland's general government finances suffer from a structural deficit, which is expected to grow over the next few years. General government finances will be weakened by a slowdown in economic growth, higher expenditure resulting from an ageing population and the spending increases envisaged in the Government Programme.

In Iceland the fiscal space created during the recent growth phase is partially being used to alleviate the slowdown in the economy. The budget bill for 2020, submitted to Parliament in September, is in accordance with the revised fiscal plan and assumes a 1.6% of GDP primary balance surplus for the central government compared to a 2.4% of GDP according to the original plan. According to the bill the general government debt ratio will amount to 34%¹ of GDP by the end of the year, down from over 90% in 2011.

In Norway, the Government has moved to a neutral fiscal policy stance in recent years. The Government is continuing this responsible policy in the 2020 budget, supporting competitiveness, structural adjustment and private sector growth. The fiscal impulse for 2020 is estimated at -0.2 percentage points. Spending of petroleum revenues in 2020 corresponds to 2.6% of the estimated capital in the Government

¹ Maastricht definition.

Pension Fund Global at the beginning of 2020. This is below the expected real return of the Fund, estimated at 3%.

In Sweden, the general government net lending is estimated to be 0.4% of GDP in 2019 and 0.3% in 2020. The fiscal stance is expected to be broadly neutral in 2020. The general government gross debt ratio is just below 39% of GDP in 2018 and projected to go below 35% in 2019. From 2020 and onward the gross debt is projected to be on a downward trend in line with the debt anchor.

Table 1: Central macroeconomic variables

	2017	2018	2019	2020
GDP growth %				
Sweden	2.1	2.4	1.4	1.4
Iceland	4.4	4.8	-0.2	1.7
Finland	3.1	1.7	1.5	1.0
Mainland Norway	2.0	2.2	2.7	2.5
Denmark	2.3	1.5	1.7	1.6
Inflation. %				
Sweden	1.8	2.0	1.9	1.7
Iceland	1.8	2.7	3.0	2.6
Finland	0.7	1.1	1.1	1.4
Norway	1.8	2.7	2.3	1.9
Denmark	1.1	0.8	1.0	1.4
Unemployment (LFS) %				
Sweden	6.7	6.3	6.3	6.4
Iceland	2.8	2.7	3.8	3.9
Finland	8.6	7.4	6.5	6.3
Norway	4.2	3.8	3.5	3.4
Denmark	5.9	5.1	5.3	5.1
Current account balance percentage of GDP				
Sweden	2.8	1.7	3.7	4.1
Iceland	3.7	2.8	2.9	1.4
Finland	-0.7	-1.6	-1.2	-1.3
Norway	4.7	7.2	5.8	6.5
Denmark	8.0	5.7	6.1	5.7

1. Denmark

1.1 Economic outlook

The Danish economy is currently in a long-lasting economic upswing. The recovery started in 2013, but from a low level, and the output gap did not move into positive territory until 2018.

A strong labour market underpins the upswing, which is expected to continue in 2019–2020, but at a slower pace than in the previous four years where GDP has grown by approximately 2% annually. This is in part due to the fact that the Danish economy has reached a stage in the business cycle, where capacity constraints are beginning to bind.

Employment has risen to a record high, while unemployment has dropped to around 100,000 persons. Employment is expected to increase further, but at a gradually slower pace, among other things because it is becoming harder for companies to recruit new workers. Employment is estimated to increase by a further 65,000 persons in total and reach a level of more than 3 million employed in 2020. At the same time, real wages are expected to grow at a rate slightly above the historical average.

Increases in incomes provide favourable conditions for continued increases in private consumption, which is estimated to grow by approximately 2% in both 2019 and 2020. The growth rate is solid but remains relative subdued compared to the current business cycle stance, and especially compared to the overheating phase in the previous decade. Households have been cautious during the current upswing and have only increased consumption in pace with in-come gains. This is unusual compared to previous upswings, where consumption typically has increased more than income, and to some extent has been financed by loans.

The economic forecast for Denmark economy is currently subject to a particularly high level of uncertainty. Although the foundation for continued growth is strong, risks have increased during 2019 and are mainly tilted to the downside. These include the duration of the slowdown in Germany and a possible escalation of the US-China trade conflict, which will affect European companies through their participation in global value chains. In addition to that are the potential negative consequences of a no-deal Brexit. A no-deal Brexit will be

a major shock to the European economy and could have significant consequences for the Danish economy. The forecast is, in line with other organisations, based on unchanged policies, and a no-deal Brexit is thus not taken into account in the central scenario.

Since the beginning of 2018, international organisations such as the IMF and the OECD have gradually lowered their growth forecasts for the global economy in 2019, and they increasingly emphasize the greater uncertainty. At the time when the forecast was finalised (August 2019), the estimate for global growth was around 3.5% across organisations.

Despite signs of weakness in the international economy, Danish exports have been robust and are thus a significant driver of GDP growth in Denmark this year. This is due to increasing goods exports, and in particular exports of pharmaceutical products and wind turbines. Exports of pharmaceutical products have gradually gained a more prominent role in Danish exports in recent years. However, export growth is expected to abate a little in 2020.

In recent years, companies have increased investments as spare capacity has declined. Investments are expected to continue to grow, supported by low interest rates. Uncertainty from abroad can, however, affect the investment decisions of Danish companies and thereby dampen activity.

In the current upswing, house prices have grown at a moderate pace seen in a historical perspective. That supports a stable outlook for the housing market, and in general there are no signs of other imbalances in the housing market, including unsustainable increases in indebtedness.

A similar trend is seen on the labour market. Here, the pace has been high in recent years, and employment has risen by 240,000 persons since the turning point in 2013. The development, however, has been supported by a greater supply of labour, partly due to later retirement from the labour market, improved integration of refugees and immigrants into the labour market as well as a large inflow of foreign labour. Overall, this has helped to counteract the build-up of pressure in the labour market and the capacity pressure on the labour market remains relatively moderate compared to previous booms. Thus, there are no signs of major imbalances having been built up during the ongoing upswing.

1.2 Public finances

Public finances are generally sound and markets' confidence in the Danish economy is high, resulting in the highest possible credit rating (AAA). In isolation, the economic upswing contributes to an improvement of actual public finances as employment and tax revenues increase and expenses for income transfers decrease. The actual budget balance is expected to show a surplus of 1.9% of GDP in 2019 and 0.4% of GDP in 2020. However, a significant share of the estimated surplus in 2019 is caused by temporary conditions, namely upward revised expected revenue from the pension yield tax (PAL). The current economic upswing in combination with unusually low interest rates also invites to a certain caution when planning fiscal policy.

The government's proposed budget bill for 2020 includes, among other things, funds allocated to strengthening public welfare, the police and the health care sector as well as green research. Financing includes the withdrawal of the lower inheritance tax as well as higher taxes on cigarettes and plastic. Based on the proposed budget bill for 2020, fiscal policy in 2020 is planned with a structural deficit of 0.1% of GDP.

In the current assessment, which is based on the budget agreements with municipalities and regions and the proposed budget bill for 2020, the public consumption real growth is assumed to 1.3% in 2020.

Fiscal policy is planned according to a medium-term objective of structural balance in 2025 (given normal business cycles). In addition, the planning is in accordance with the fiscal framework set by the Danish Budget Law.

In the past years, the margin to the deficit limit of 0.5% of GDP in the Budget Law has been increased. Structural deficits amounted to approx. 1% of GDP during the recession following the international financial crisis, where the structural deficits among other things reflected a supportive fiscal policy to underpin economic activity. During the boom of the 2000s, the structural budget balance showed substantial surpluses, which brought down public debt and increased the fiscal room for manoeuvre, when the global crisis set in.

Together, fiscal and structural policy is estimated to have a neutral effect on the economic capacity pressure towards 2025 (measured by the fiscal effect). The effect on the capacity pressure can tentatively be divided in one contribution from fiscal policy and one from structural reforms.

Fiscal policy has a positive effect on GDP growth towards 2025 (although the effect is neutral in 2022) due to earlier implemented tax cuts. Further on, the growth in public investments in 2019 and the relatively high growth in public consumption in 2020 and 2023–2025 contribute to a higher capacity pressure.

On the other hand, subsequently implemented structural reforms is estimated to dampen capacity pressures towards 2025. This is primarily due to implemented reforms that have increased labour supply, including reforms of the retirement ages.

In 2018, the net public debt turned to a positive net worth, and a continued positive net worth equivalent to approximately 3.5% of GDP is projected for 2019 and 2020. The EMU-debt was approximately 34% of GDP in 2018 and is expected to exhibit a slowly decreasing trend in the coming years. The Danish debt (EMU-definition) is thus substantially below the debt limit of 60% of GDP stated in the EU Stability and Growth Pact.

Table 2: Key figures for the Danish economy

	DKK bn.					
	2018	2016	2017	2018	2019	2020
Private consumption	1,048	2.1	2.1	2.2	1.9	2.0
Public consumption*	546	0.2	0.7	0.9	0.8	1.3
Fixed business investments	314	8.1	5.6	8.5	0.2	4.4
Stock building (per cent of GDP)	17	-0.2	-0.1	0.2	0.0	-0.1
Total domestic demand	2,113	2.5	2.2	3.1	1.3	2.1
Exports	1,212	3.9	3.6	0.4	2.7	2.2
Total demand	3,324	3.0	2.7	2.1	1.8	2.1
Imports	1,101	4.2	3.6	3.3	2.0	3.1
GDP	2,223	2.4	2.3	1.5	1.7	1.6
Employment (1,000 persons)		2,871	2,919	2,971	3,010	3,036
Gross unemployment (per cent of labour force)		3.8	3.8	3.5	3.3	3.2
Consumer price index (per cent)		0.3	1.1	0.8	1.0	1.4
Hourly compensation (per cent)		2.3	2.2	2.3	2.5	2.8
Effective exchange rate (1980=100)		100.8	102.1	103.6	102.9	102.8
Terms of trade (goods)		2.7	-1.2	-2.1	0.3	-0.2
Current account (per cent of GDP)		7.9	8.0	5.7	6.1	5.7
3-month money market interest rate (per cent)		-0.1	-0.3	-0.3	-0.4	-0.5

Note: *Measured by the output method incl. depreciations.

Source: Statistics Denmark and the Danish Ministry of Finance.

2. Finland

2.1 Economic outlook

The outlook for the Finnish economy remains positive despite worrying economic news received from elsewhere in the world. Economic growth will be sustained by domestic demand over the coming years. Growth of private investments and consumption will slow down as the uncertainties in the external environment are reflected in the expectations of Finnish companies and consumers. Public consumption and investments will contribute markedly to GDP growth, especially in 2020.

Exports will grow only slowly as the outlook for European economies remains uncertain. The trade tensions between major economies will have an impact on world trade and indirectly also on Finnish exports. Investments to GDP ratio will decrease. Housing construction will decrease and with the global economy slowing down, a slowdown in production investments is also expected. Boosted by rising earnings and a high employment rate, private consumption will continue to grow. Slowly rising households' savings rate will decelerate private consumption growth slightly.

A slowdown in economic growth and a rise in nominal wages will gradually weaken employment growth. Further decline in the working-age population will push the employment rate slightly up. Unemployment will fall slowly and will stand close to structural unemployment rate.

A tighter labour market has already led to labour bottlenecks in a number of professions: particularly severe shortage of construction professionals as well as health and social services experts. Raising the employment rate to 75% would require measures to eliminate the mismatch between labour supply and demand, such as additional training places for sectors suffering from labour shortages and more conversion training for the unemployed.

As a whole, inflation is expected to accelerate moderately. The rise in earnings is expected to gradually have a broader impact on prices and consumer demand will grow at a moderate rate.

In the medium term economic growth is expected to fall below one per cent. In historical terms, the growth expected for the medium term is slow, which is a result of the structural factors affecting the economy.

The growth in labour input boosts potential output growth this year and, to some extent, also in the year after that. After this, there will be a gradual reduction in labour input because working-age population continues to fall. High structural unemployment is also a factor limiting the growth in labour input.

Growth in total factor productivity has picked up in recent years even though in historical terms, it will continue to grow at a modest rate. The weak growth can be explained by the structural changes in the Finnish economy. The output of high-productivity sectors has declined and services have become more predominant in the overall structure of the economy. Total factor productivity growth trend is expected to be slightly below one per cent in the medium term, which can be compared with an average annual growth of more than two per cent in the early years of the 2000s. The predicted total factor productivity growth trend is nevertheless well above the average of the past ten years.

In addition to labour input and total factor productivity, the production conditions of the economy are also influenced by the capital stock. The low level of investments slowed down capital stock growth and thus weakened the future growth potential of the economy. The fact that investments have picked up has, however, slightly improved the situation and by increasing the capital stock.

The forecast mostly involves downside risks and the risks have increased over the last few months. The deepening of the trade conflict is the key risk overshadowing the global economic outlook and the risk is heightened by the possibility that the parties will weaken their exchange rates to gain a competitive advantage. A downturn in Germany would postpone economic recovery in Europe. A hard Brexit would temporarily disrupt goods trade and it would also weaken the economic outlook of many other EU countries.

A quicker-than-expected solution to the trade conflict between China and the United States would be the most significant positive risk in the baseline scenario of the global economy.

The most serious short-term risk in the projection is the steeper-than-forecast decline in housing construction. The role of large projects as a risk factor in the forecast is highlighted in the long run. Without decisions on large projects, the growth in investments would be substantially weaker.

2.2 Public finances

General government expenditure has remained higher than general government revenue throughout the current economic upturn. Finland's general government finances suffer from a structural deficit, which is expected to grow over the next few years. General government finances will be weakened by a slowdown in economic growth, higher expenditure resulting from an ageing population and the spending increases envisaged in the Government Programme.

The economic upturn has helped to conceal the structural problems facing Finland's general government finances. Ageing of the population has already increased pension expenditure and it will also push up care and nursing expenditure in the coming years. There are still open questions as regards how to cover the sustainability gap in general government finances.

Expenditure in the next few years will be boosted by the permanent and one-off spending increases planned by Prime Minister Rinne's Government. However, the Government has decided to introduce tax increases, which will mitigate the impact of the higher spending on general government finances. Central government deficit will be around one per cent of the GDP.

Slow growth in tax revenue combined with higher consumption expenditure weakened the local government budgetary position last year. Local government deficit will grow again this year because consumption expenditure has continued to grow at a rapid rate. Local government budgetary position is burdened by the increasing need for services arising from an ageing population and investments, which will remain at high level.

There are both internal and external risks concerning Finland's general government finances. The internal risks concern the implementation of the Government Programme. If all the one-off spending increases envisaged in the Government Programme (EUR 3 billion) are implemented, there will be an additional pressure of EUR 1.6 billion on general government finances between 2020 and 2022. Only the increases already decided and included in the General Government Fiscal Plan are considered in the projection. Furthermore, supplementary budget provisions and the unallocated reserve within central government spending limits are not considered in the projection. These will be included in the projection for general government finances as decisions are made on the use of the reserves and they are allocated to specific measures.

Table 3: Key figures for the Finnish economy

	EUR bn.		Percentage change unless stated otherwise				
	2018	2016	2017	2018	2019	2020	2021
GDP at market prices	234	2.6	3.1	1.7	1.5	1.0	0.9
Imports	92	5.8	4.1	5.0	1.8	2.3	2.0
Total supply	325	3.5	3.3	2.6	1.6	1.4	1.2
Exports	90	3.7	8.8	2.2	2.4	2.4	2.1
Consumption	178	2.1	0.7	1.7	1.6	1.5	1.1
– private	125	2.4	1.0	1.8	1.7	1.4	1.5
– public	53	1.4	0.2	1.5	1.4	1.7	0.1
Investment	55	8.2	4.1	3.4	0.4	-0.3	0.3
– private	46	7.8	4.8	3.0	0.2	-1.0	0.6
– public	10	8.9	2.4	4.5	1.3	3.0	-1.1
EUR bn.							
GDP		217	226	234	242	249	257
Current account		-1.6	-1.6	-3.7	-3.0	-3.2	-3.1
Percentage change							
Services, change in volume		1.6	2.4	1.8	1.2	1.0	1.1
Industry, change in volume		4.1	8.4	0.1	3.0	1.8	1.4
Labour productivity, change		2.0	2.8	-0.9	0.7	0.6	0.8
Employed labour force, change		0.4	1.1	2.6	1.0	0.5	0.3
Employment rate		68.7	69.6	71.7	72.5	73.0	73.4
Unemployment rate		8.8	8.6	7.4	6.5	6.3	6.2
Consumer price index		0.4	0.7	1.1	1.1	1.4	1.7
Index of wage and salary earnings		0.9	0.2	1.7	2.7	3.1	2.9
Short-term interest rates (3-month Euribor)		-0.3	-0.3	-0.3	-0.3	-0.4	-0.3
Long-term interest rates (10-year govt. bonds)		0.4	0.5	0.7	0.0	-0.2	-0.1
Percentage of GDP							
Tax ratio		43.8	43.0	42.3	41.9	42.2	42.1
General government net lending		-1.7	-0.7	-0.8	-1.0	-1.4	-1.5
Central government net lending		-2.6	-1.8	-1.2	-0.9	-1.2	-1.1
General government gross debt		62.6	60.8	58.9	58.8	58.8	59.7
Central government debt		47.1	46.8	44.8	44.4	43.9	44.3
General government expenditure		55.6	53.7	53.1	52.7	53.1	53.0
Current account		-0.7	-0.7	-1.6	-1.2	-1.3	-1.2

Source: Statistics Finland and the Finnish Ministry of Finance.

3. Sweden

3.1 Economic outlook

After several years of high growth, there is now a slowdown in the Swedish economy and GDP is expected to grow by 1.4% in 2019 and in 2020. This is due to lower housing investments as well as less contribution from government consumption and exports. However, resource utilisation is estimated to be higher than normal during these years. There was a weak development in household consumption during 2018 and the first half of 2019. To some extent this is explained by temporary factors such as changed tax- and certification rules on cars. Going forward, consumption is expected to grow in line with the average rate since 2000. A stabilisation in the housing market and high household savings are two factors contributing to this. The slowdown in public consumption that we have seen lately is expected to continue due to a decline of migration related expenditures and a weaker development of tax incomes. Gross fixed capital formation has risen sharply since 2014, especially in housing, but during the first half of 2019 investments declined somewhat. After several years with increasing housing investments we have seen a decline in housing starts since 2017, although from high levels. In the coming years, housing investments are therefore expected to decrease. Furthermore, investments in the business sector excluding housing are expected to slow down due to lower global demand. The latest year's improved world economic development has benefited demand on Swedish exports. At the same time, a strong development on domestic demand has contributed to high import growth which has dampened the net export contribution. During the first half of 2019 exports grew at a moderate pace. Several indicators, such as export orders in the industry according to the Economic Tendency Survey from NIER and Purchasing Manager Index, together with a sluggish global demand suggest a continued slowdown in exports going forward.

The labour force participation rate as well as the employment rate have in recent years increased to historically high levels. However, during 2019 the labour market development has subdued with somewhat lower labour force participation and employment rates. The unemployment rate is no longer decreasing and is expected to increase ahead. Leading indicators, such as the number of job vacancies and business employment plans according to the Economic Tendency Survey from NIER, indicate that demand for labour has subdued, but remains relatively high.

The Riksbank has conducted an expansionary monetary policy for several years and has gradually reduced the repo rate between December 2011 and February 2016 from 2% to the historically low level of -0.5%. In December 2018 the Riksbank raised the repo rate to -0.25%, the first increase for seven years. The repo rate has since then been unchanged. In addition to holding the repo rate negative, the Riksbank has also carried out a comprehensive government bond purchase programme that was ended in December 2017.² In April 2019, the Riksbank decided to continue purchases of government bonds from July 2019 to December 2020, for a total nominal value of SEK 45 billion, in order to retain an appropriate level of bond holdings and a continued presence in the government bond market. The decision means that the Riksbank maintains bond holdings close to their average level since the beginning of 2018, when the net purchases were concluded. Yields in government bond markets in Sweden and abroad have during the past year been characterized by lower inflation expectations and expectations of lower future interest rates. Higher uncertainty surrounding US-China trade relations, Brexit and signals of a global slowdown have contributed to this development. In the US, government bond yields have declined as the Federal Reserve cut interest rates in July and September 2019. Government bond yields have also fallen in Europe as the ECB cut the deposit rate in September. In Sweden government bond yields have broadly followed international developments. Interest rate expectations have shifted down and market participants no longer expect the Riksbank to raise the repo rate within the next two years. In the government's budget bill forecast, the repo rate is not expected to be raised in 2019 or 2020.

² At that time the Riksbank also decided that reinvestments of maturing bonds in the first half of 2019 would be spread evenly over the period from January 2018 to June 2019.

3.2 Public finances

The general government net lending is estimated to be 0,4% of GDP in 2019 and 0,3% in 2020. (see table 5). The fiscal stance is expected to be broadly neutral in 2020. The cyclically adjusted balance is estimated at 0% of potential GDP 2019 and 0.2% of potential GDP 2020 and is projected, without any new fiscal policy, to increase to 1.3% in 2022. The general government gross debt ratio is just below 39% of GDP in 2018 and projected to go below 35% in 2019. The sharp fall in the debt ratio this year is amongst other a result of the Riksbank's decision not to refinance the remaining foreign currency loans maturing in 2019. From 2020 and onward the gross debt is projected to be on a downward trend in line with the debt anchor.

Table 4: Key figures for the Swedish economy

	2018	2019	2020	2021	2022
GDP	2.4	1.4	1.4	1.8	1.9
Private consumption	1.2	0.8	2.2	2.7	3.0
Public consumption	0.9	0.2	0.0	-0.5	-0.9
Fixed capital formation	4.0	-0.7	1.1	0.9	1.2
Stock building (contribution to growth)	0.4	-0.2	0.0	0.0	0.0
Exports	3.9	3.5	2.4	3.1	3.2
Imports	3.8	0.6	2.2	2.2	2.3
Net exports (contribution to growth)	0.2	1.4	0.2	0.5	0.5
Productivity in private sector	0.5	0.8	0.8	1.7	1.7
Hours worked	2.4	1.1	0.3	0.3	0.5
Employment	1.8	0.8	0.4	0.6	0.6
Unemployment	6.3	6.3	6.4	6.4	6.5
GDP gap	1.2	0.9	0.2	0.0	0.0
Wages	2.5	2.6	2.8	3.0	3.1
CPI	2.0	1.9	1.7	2.1	2.3
CPIF	2.1	1.7	1.6	1.8	2.0

Table 5: Estimates from the Budget Bill for 2020

	2018	2019	2020	2021	2022
Fiscal position	0.9	0.4	0.3	0.4	1.2
Structural balance	0.0	0.0	0.2	0.5	1.3
Consolidated gross debt	38.8	34.8	33.4	31.8	29.6

4. Iceland

4.1 Economic outlook

4.1.1 *Fundamentals strong despite a weak outlook in 2019*

After growing by 34% since 2010, an average growth rate of 3.7% per year, the Icelandic economy is expected to contract by 0.2% this year due to shocks in tourism and fisheries. Nevertheless, the country's economic fundamentals are strong. The current account has been in sustained surplus since 2013 and the net foreign asset position has turned positive (22% of GDP) for the first time in decades. Both public and private entities have used the expansion to pay down debt and as a result balance sheets have improved dramatically, thereby increasing the economy's resilience to downturns. The ISK exchange rate adjusted to the changed outlook and is 10% weaker than in August 2018, alleviating the wider economic impact of the aforementioned shocks. The outlook is for growth picking up in 2020 and reach average growth rate of 2.4% until 2024.

The strong fundamentals have direct implications for private consumption growth which, contrary to predictions of economic theory, is historically more volatile than GDP growth in Iceland. This peculiarity stems from relatively large exchange rate fluctuations. In cyclical upturns the exchange rate appreciates making imported goods cheaper to which households respond by increasing consumption on durable and semi-durable goods and vice versa in a cyclical downturn. However, households' strong financial position means they can smooth consumption to a larger degree, thereby supporting both growth and public revenues in the current cyclical downturn. As a result, and because of strong inflows of foreign workers, private consumption grew by 2.2% in 2019H1 and is expected to grow by approx. 2% this year despite a weaker outlook.

Inflation expectations seem anchored close to the bank's inflation target which has allowed the CBI to lower interest rates by 125 bp since May. It is now historically low 3.25%. The bank still has room to cut interest rates if it deems it necessary as its

key policy rate is well above the lower bound. The pass-through to inflation from the exchange rate depreciation last autumn has been surprisingly low and inflation has remained close to the CBI inflation target of 2.5% despite rising domestic inflationary pressures which indicates that firms might struggle to raise prices.

4.1.2 *The labour market – Wage agreements concluded in April*

Overall, labour market conditions remain favourable. Registered unemployment has risen less than anticipated in early 2019 and stands at 3.5% and labour force participation remains above 80%. Rapid wage growth contributing to an overheating of the economy and a lack of competitiveness has been one of the key challenges for Icelandic policymakers. A complicated round of collective wage bargaining was concluded in April. The labour unions' wage increase demands were excessive and employees in tourism-related sectors had begun striking in March. However, WOW air's bankruptcy appears to have shifted the bargaining power as agreements were concluded in a matter of days after the bankruptcy, with the government facilitating their conclusion by promising various housing and tax measures.

Although the agreement stipulates rather substantial increases of the lowest wages, especially in an international comparison, the agreed wage increases are historically moderate and certainly lower than markets had anticipated. Bond yields and inflation expectations fell after the agreements were signed, allowing the CBI to respond to the worsening economic outlook by aggressively lowering its policy rate.

A rapid inflow of foreign workers has characterized the growth phase since 2015. With an already high resource utilisation and an exponentially growing tourism sector, demand for workers has largely been met by foreign labour. As economic activity slows net migration remains substantially above historical averages. This has had the implications that the share of the working age population is higher than it was two decades ago despite population ageing. However, unemployment has been on the rise and over 7% of foreign workers are currently unemployed. Further inflows of workers could raise this figure, especially if firms remain unable to raise prices despite higher production costs.

4.1.3 *Tourism and fisheries main contributors to the worsening outlook*

The weak financial position of WOW air, which had a 25% market share in foreign passengers to Iceland last year, became evident last autumn. The exchange rate immediately by 10% and the airline responded by reducing the size of its fleet. In January, the baseline forecasts for tourist arrivals assumed a 2% reduction in arrivals. However, WOW air went bankrupt and aviation regulators and airlines around the world grounded all Boeing 737 MAX passenger airliners in March. The latter affects tourism to Iceland as Icelandair expected 25% of its fleet this summer to consist of the 737 MAX airliners. Due to these events, the baseline forecast for growth in tourist arrivals was revised to -17% in June.

The tourism industry appears to be more resilient to the reduction in tourists than analysts originally anticipated as the composition of tourists has changed. Since the bankruptcy of WOW air, they tend to spend more and stay longer. Exported tourism (YTD) is the same as last year, foreigners' overnight stays at hotels are down by only 1% and arrivals at Gullfoss waterfall, which is part of the Golden circle, is down by 10% to name but a few examples. This new composition of tourists promotes sustainability in tourism without dramatically reducing the revenues of firms in the sector.

High prices, large cod stocks and the exchange rate depreciation contribute to the generally strong position of the fisheries sector. However, the stock of capelin was estimated too small this year to warrant fishing quotas. The outlook is for the same recommendation next year. Capelin has historically been the second most important export species after cod and last year its exports accounted for 0.6% of GDP. The stock, and thus the fishing quotas as well, fluctuates substantially year-on-year but this is the first time in almost six decades in which there has been a complete catch failure. On the other hand, aquaculture is rising rapidly in importance as its export value has risen by 62% through July compared to the same period last year. Aquaculture's total export value in the first seven months is already higher than in 2018 and it accounts for 74% of capelin's export value last year.

4.1.4 Risks

It is true that the supply shocks that contributed to the deteriorated outlook in 2019 are short-term in nature. However, a weakening global outlook and the extended grounding of Icelandair's MAX 737 airliners led to revision of the growth outlook for next year to 1.7% down from 2.6%.

Although Iceland's economic integration with the UK has declined over the decades, the UK is still a key trading partner with over 10% of Iceland's total exports going to the UK. The exports mostly consist of fisheries, which accounts for 82% of goods exports, and tourism. Iceland, along with Norway, has concluded a provisional free trade agreement with the UK which would enter into force in the event that the UK leaves the EU without a deal and ensures unchanged tariff terms of imports and exports between the countries. Nevertheless, a Brexit without a deal could decrease British demand for Icelandic exports. Tourism expenditure might be especially vulnerable as it is presumably among the first expenditure households cut when facing increased uncertainty or shocks. Furthermore, fresh fish exports are vulnerable and could lose their value quickly if delays emerge in the movement of goods, for example between the UK and France. Icelandic export firms do not appear to be overly worried about such delays, however, and have increased exports to other markets.

More generally, a weaker economic outlook in many trading partner countries and trade tensions pose threats to the domestic outlook. Especially as many central banks face challenges relating to a potentially limited monetary efficacy.

4.2 Public finances

4.2.1 *Policy space is being partially used to alleviate the downturn*

The policy space created during the recent growth phase is partially being used to alleviate the downturn. In June, the government revised its fiscal plans due to the deteriorated economic outlook. The objective of the revision was to allow automatic stabilizers to operate instead of tightening fiscal policy to achieve its previous fiscal objectives. The budget bill for 2020, submitted to Parliament in September, is in accordance with the revised fiscal plan and assumes a 1.6% of GDP primary balance surplus for the central government compared to a 2.4% of GDP according to the original

plan. According to the bill the general government debt ratio will amount to 34% of GDP by the end of the year, down from over 90% in 2011.³

Table 6: Key figures for the Icelandic economy

	2017	2018	2019	2020	2021
Private consumption growth	8.1	4.7	2.4	2.8	3.0
Public consumption growth	3.6	3.5	1.9	1.3	1.6
Gross fix capital formation	11.6	4.0	-5.7	6.2	3.2
Exports growth	5.4	1.7	-2.5	2.5	2.8
Imports growth	12.5	0.8	-1.2	3.6	2.7
GDP growth	4.6	4.8	-0.2	2.6	2.7
Consumer price inflation (annual rate)	1.8	2.7	3.4	3.2	2.6
Unemployment rate (annual average)	2.8	2.7	3.7	3.8	3.8
Current account balance (% of GDP)	3.8	2.9	1.2	0.6	0.8
General government net lending balance (% of GDP)*	1.8	0.8	-0.3	0.0	0.1
General government primary balance (% of GDP)*	4.9	3.0	1.7	1.9	1.7
General government gross Maastricht debt (% of GDP)	42	37	38	34	-

Note: *Underlying balance, i.e. without large one-off revenues and expenditure.

Source: Statistics Iceland, May 2019, Ministry of Finance and Economic Affairs.

³ Maastricht definition.

5. Norway

5.1 Economic outlook

The Norwegian economy is in its third year of a cyclical upturn. Activity is expanding throughout the country and in most sectors. Higher real wage growth is boosting private consumption, and the improvement in competitiveness is contributing to more private sector investment and increased exports.

The labour market is improving markedly. Many people who were previously outside the labour market are now employed, the employment rate has increased and registered unemployment is down to levels last seen in 2008. At the same time, the number of non-resident employees on short-term visas in Norway has also increased. This may indicate that the labour market is tightening.

Economic policy has been well-adapted to the state of the economy. When the oil price started to decline in the summer of 2014, fiscal policy turned expansionary in order to boost aggregate demand. Economic growth has picked up considerably since then and unemployment has declined significantly. The Norwegian economy is now in a period of strong economic growth and there is therefore no longer need for an expansionary economic policy.

Norges Bank has increased its key policy rate four times over the last year, from 0.5% to 1.5%. Moving forward, Norges Bank has signalled that the key policy rate will remain close to its current level. As activity in the Norwegian economy has picked up, the Government has moved to a neutral fiscal policy stance in the last few years, in order to avoid undermining sectors exposed to international competition and to ensure a sustainable development in the Norwegian economy, cf. paragraph 6.2 for more details on public finances.

Petroleum investments are expected to increase significantly this year. Most development projects planned for the Norwegian continental shelf will remain profitable even with oil and gas prices significantly below current levels due to cost reductions and efficiency improvements in the petroleum industry over the last years.

Although petroleum investments are expected to gradually decline starting in 2020, they will remain at a high level for many years.

Significant improvements in competitiveness over the last few years have paved the way for increased activity in the Norwegian economy. Optimism is widespread across most sectors. Investment and production growth is particularly strong in manufacturing, where many businesses are benefitting from increased demand from the petroleum industry, both in Norway and overseas.

Moderate wage settlements over the last few years have helped consolidate improvements in competitiveness. In line with the outcome of the wage settlement for sectors exposed to international competition, total annual wage growth is estimated at 3.2% this year. Real wage growth is expected to pick up significantly, after turning negative for the 2016–2018 period as a whole. Wage growth is expected to increase further next year, in response to a further tightening of the labour market. At the same time, consumer price inflation is expected to decline, further supporting real wage growth.

House prices have increased moderately since last summer. At the same time, activity in the market for existing housing has been high. Growth in household debt has levelled off somewhat in the last two years, but debt is still at a historically high level and remains a source of vulnerability for the Norwegian economy.

In the National Budget 2020, released on 7 October, mainland GDP growth is forecast to reach 2.7% this year and 2.5% next year, cf. table 1. This is well above trend-growth in the Norwegian economy. The labour market is expected to continue to improve, with lower unemployment and higher employment.

Capacity utilization in the mainland economy is increasing and the output gap is forecast to be positive in 2020. The share of businesses reporting they are operating at maximum capacity has increased over the past year and is now above its historical average.

The forecasts are uncertain. A potential weakening of international growth may have a negative impact on growth in the Norwegian economy. Domestically, a high debt burden may result in many households cutting back on consumption in the event of even small changes in interest rates, income or house prices. The Norwegian economy may also grow faster than projected if, for example, petroleum investments increase more than expected, or if improvements in competitiveness boost exports and investments more than expected. The optimistic outlook seen in the private sector may increase labour market pressure in a situation of already very low unemployment, accelerating growth in wages and consumption.

Table 7: Key figures for the Norwegian economy

	NOK bn.*				
	2018	2018	2019	2020	2021
Private consumption	1,533.6	1.9	1.8	2.7	2.9
Public consumption	826.8	1.4	1.6	1.7	..
Gross fixed investment	851.5	2.8	6.1	1.2	-0.5
Of which: Petroleum extraction and pipeline transp.	153.4	1.9	17.8	-3.5	-10.4
– Business sector Mainland Norway	311	6.8	6.2	3.4	2.7
– Housing	193.5	-6.2	1.4	2.2	0.8
– Public sector	192.7	7.5	1.3	0.3	..
Demand from Mainland Norway**	3,057.6	2	2.1	2.2	2.2
Exports	1,357.3	-0.2	2.3	7.3	3.5
Of which: Crude oil and natural gas	569.4	-4.8	-2.9	14	4.6
– Goods except oil and gas	411	2	5.6	5	5.1
– Services except oil, gas and shipping	247.2	4.4	5.3	5	1.6
Imports	1,152.2	1.9	5.4	1.8	1.3
Gross domestic product	3,530.9	1.3	1.8	3.8	2.3
Of which: Mainland Norway	2,906.9	2.2	2.7	2.5	2
Other key figures					
Employment, 1000 persons		1.6	1.6	1	0.6
Unemployment rate, LFS (level)		3.8	3.5	3.4	3.4
Unemployment rate, registered (level)		2.5	2.2	2.1	2.1
Annual wage		2.8	3.2	3.6	..
Consumer price index (CPI)		2.7	2.3	1.9	1.8
Underlying inflation (CPI-ATE)		1.6	2.4	2.2	2
Crude oil price, NOK per barrel (level)		582	538	476	474
Three-month money market rates, pct.***		1.1	1.6	1.7	1.5
Import-weighted exchange rate (yearly change)****		0.1	2	0.5	0

Note: *Preliminary national accounts in current prices.

**Excluding inventory changes.

***Technically calculated using forward prices in September.

****Positive number indicates a depreciation of the krone.

Source: Statistics Norway, Norges Bank, Norwegian Labour and Welfare Administration, Reuters and Ministry of Finance.

5.2 Public finances

The Norwegian fiscal policy framework insulates the budget from fluctuations in oil and gas revenues.⁴ The state's net cash flow from petroleum activities is transferred in full to the Government Pension Fund Global, and the returns are reinvested in the Fund. The use of petroleum revenues, i.e. withdrawals from the Fund, fully covers the non-oil budget deficit. In formulating fiscal policy, petroleum revenue spending is measured by the structural, non-oil budget deficit. The fiscal guidelines stipulate a gradual and sustainable use of petroleum revenues over time in line with the expected real rate of return of the Government Pension Fund Global, estimated at 3%.

In any given year, the use of petroleum revenues can deviate from the 3% path to help stabilise economic activity and thereby support high capacity utilisation and low unemployment. In the event of large fluctuations in the Fund's value, implications for the use of petroleum revenues will be phased in over several years.

With growth in the mainland economy higher than estimated trend growth, and low unemployment, the fiscal stance has been broadly neutral in the last few years' budgets. This path is followed also in the 2020 budget. The structural non-oil deficit in 2020 is equivalent to 2.6% of the Government Pension Fund Global.

In recent years, fiscal policy has entered a new phase. The era of large increases in petroleum revenue spending since the fiscal rule was introduced in 2001 is coming to an end. Petroleum revenue spending as a share of mainland GDP has been rather stable in the last few years. Going forward, growth in the Government Pension Fund Global (GPFG) is expected to slow. Petroleum revenues will gradually start to decline, and in a decade from now the revenue from the Fund as a share of mainland GDP will most likely be on a downward path. Consequently, the scope for further expanding petroleum revenue spending is severely limited.

⁴ See https://www.statsbudsjettet.no/upload/Statsbudsjett_2020/dokumenter/pdf/national_budget_2020.pdf for more information about the fiscal framework (appendix 1), the National budget 2020 and associated analyses.

Table 8: Key figures for the central government

	2018	2019	2020
Non-oil deficit, NOK billion	218.5	232.7	241.1
Structural non-oil fiscal deficit, NOK billion	214.1	239.0	243.6
– Per cent of capital in the Government Pension Fund Global*	2.5	2.9	2.6
– Per cent of trend GDP mainland Norway	7.2	7.8	7.6
Fiscal impulse	-0.4	0.5	-0.2
Real underlying expenditure growth, percent	0.7	2.0	0.8

Note: *At the beginning of the year.

Source: Ministry of Finance.

Sammanfattning

Rapport har sammanställts av den Nordiska Konjunkturgruppen och beskriver den makroekonomiska utvecklingen i de fem nordiska länderna. De ekonomiska utsikterna är baserade på budgetprognoser från hösten 2019 för samtliga länder utom Island, där prognosen publicerades i maj.

Tillväxtutsikterna i omvärlden

Avmattningen i världsekonomin, som startade 2018, har fortsatt under 2019. Det har skett en stark avmattning inom tillverkningsindustrin vilket delvis beror på att handelskonflikten trappats upp ytterligare. Den finanspolitiska expansionen i USA har återgått till en mer normal takt samtidigt som de makroekonomiska utsikterna i viktiga tillväxtländer har dämpats.

Förtroendeindikatorer för tillverkningsindustrin tyder på att avmattningen kommer att fortsätta på kort sikt, och det är oklart om skillnaden mellan tillverkningsindustrin och tjänstesektorn kommer att bestå. Hittills har tjänstesektorn uppvisat en stark och mer stabil utveckling i Europa och i USA jämfört med tillverkningsindustrin (som har en mer direkt påverkan av upptrappningen i handelskonflikterna).

Prognoser är osäkra och nedåtriskerna är betydande på både kort och medelfristig sikt. Några av riskerna som beskrevs i vår föregående rapport har redan realiserats. Handelskonflikter har haft en negativ påverkan på förtroendet hos konsumenter och företag vilket i sin tur medför lägre investeringar. En ytterligare upptrappning av handelshinder skulle kunna bidra till en betydligt lägre global tillväxt. Ökad protektionism skulle resultera i dyrare, svårare och förmodligen även en minskning i gränsöverskridande handel och investeringar, vilket i sin tur skulle ha en negativ inverkan på produktivitetstillväxt. Finansiella marknader är fortsatt sårbara. Tillgångspriser är på historiskt höga nivåer och en oförberedd korrigerings på priserna utgör en risk för tillväxt i vissa länder. Skuldnivåerna är fortsatt höga i många länder och

begränsar utrymmet för finanspolitik vilket bidrar till att hushåll och företag är känsliga mot ränteförändringar. Osäkerheten kring Brexit bidrar till ytterligare osäkerhet. Situationen i den italienska banksektorn väcker oro, även om spridningsrisken för närvarande verkar måttlig.

Arbetsmarknaderna i majoriteten av de avancerade länderna har visat fortsatt förbättring och arbetslösheten i Europa och USA är på sin lägsta nivå på decennier. Trots den starka arbetsmarknaden har tillväxten i löner och priser fortsatt varit låg. Måttlig produktivitetstillväxt kan vara en förklaring till den svaga utvecklingen. I Europa har det dock skett en ökning av deltidsarbetande vilket kan bidra till en underskattning av arbetslösheten. I USA är arbetskraftsdeltagandet fortsatt långt under nivåerna före finanskrisen.

Tillväxtutsikterna i de nordiska länderna

Alla fem nordiska länder förväntar sig fortsatt tillväxt framöver men befinner sig i olika stadier i konjunkturcykeln. Den danska ekonomin är för närvarande i en lång ekonomisk uppgång. Utsikterna för den finska ekonomin är fortsatt positiv trots de rådande ekonomiska osäkerheterna i omvärlden. Island väntas gå in i en mild lågkonjunktur 2019. Norge befinner sig i en stark ekonomisk tillväxt som förväntas ha sin topp under 2019. Efter många år med stark tillväxt befinner sig Sverige nu i en avmattningsfas. I Danmark understödjer en stark arbetsmarknad den långvariga tillväxten. Den ekonomiska tillväxten inleddes 2013 och den danska ekonomin har nått ett steg i konjunkturcykeln där kapacitetsbegränsningarna har börjat få effekt. Den positiva utvecklingen förväntas fortsätta under 2019–2020 men i en långsammare takt än under de fyra föregående åren.

De kortsiktiga utsikterna för den finska ekonomin är fortsatt positiva trots ökad osäkerhet i omvärlden. Den ekonomiska tillväxten kommer att upprätthållas av den inhemska efterfrågan de kommande åren. Tillväxten av privata investeringar och konsumtion kommer avta eftersom osäkerheten i omvärlden återspeglas i de finländska företagens och konsumenternas förväntningar. Offentlig konsumtion och investeringar kommer att bidra starkt till BNP-tillväxten, speciellt under 2020.

Efter en tillväxt på 34 procent sen 2010, en årlig tillväxttakt på 3,7 procent, förväntas den isländska ekonomin att sjunka med 0,2 procent i år på grund av chocker inom turism och fiske. Trots detta är landets fundamentala ekonomi stark. Bytesbalansen har

haft ett överskott sedan 2013 och den utländska nettotillgången har blivit positiv (22 procent av BNP) för första gången på decennier. Både den offentliga och privata sektorn har använt expansionen för att betala av skulder vilket har resulterat i stärkta balansräkningar och därmed ökat ekonomins motståndskraft vid en potentiell lågkonjunktur. Sammantaget är arbetsmarknadsförhållandena gynnsamma. Den registrerade arbetslösheten har ökat mindre än väntat i början av 2019 och ligger för närvarande på 3,5 procent och arbetskraftsdeltagandet är fortsatt över 80 procent.

Den norska ekonomin befinner sig i sitt tredje år av konjunkturuppgång. Högkonjunkturen förväntas bestå både detta och nästkommande år. Optimismen är utbredd i de flesta sektorer, sysselsättningen ökar kraftigt och arbetslösheten har sjunkit.

Efter många år med hög tillväxt befinner sig Sverige nu i en avmattningsfas även om resursutnyttjandet fortsatt bedöms vara högre än normalt. Efterfrågan på arbetskraft har minskat något under 2019 men är fortsatt relativt stark. En svagare utveckling i exporten, minskade bostadsinvesteringar och en inbromsning i offentlig konsumtion väntas bidra till en fortsatt dämpad tillväxt även 2020.

Vikten av handel

Som öppna avancerade ekonomier är de nordiska länderna beroende av global handel, vilket inte bara återspeglas av exportinriktningen utan även i den höga integrationsnivån i globala värdekedjor. Kännetecknen i de nordiska ländernas handelsprofiler är att varuexporten överstiger tjänsteexporten, bortsett från Island, och att exporten är koncentrerad till vissa industrier eller produkter. I Norge är en stor del av exporten olja, i Finland papper och i Island turism medan Sverige och Danmark har en mer diversifierad exportprofil.

Öppna marknader, handel och gränsöverskridande investeringar spelar en viktig roll för mångfalden av varor och tjänster som är tillgängliga för hushåll och företag samt för produktivitetstillväxten. Gränsöverskridande aktiviteter bidrar till nya idéer och hjälper inhemsk ekonomi att dra nytta av globala innovationer. Öppna marknader och handel möjliggör också stordriftsfördelar och ökar konkurrensen vilket uppmuntrar till användning av ny mer effektiv teknik. Dessa faktorer spelar en viktigare roll för mindre ekonomier, som de nordiska länderna, än för större ekonomier.

Offentliga finanser

De nordiska länderna har starka offentliga finanser. Stabil tillväxt, starka arbetsmarknader och politiska åtgärder har stärkt de offentliga finansiella förhållandena.

I Danmark planeras finanspolitiken i enlighet med det medelfristiga målet om strukturell budgetbalans 2025. Målet fastställer den övergripande ramen för det finanspolitiska utrymmet under de kommande åren. Den nuvarande ekonomiska tillväxten i kombination med ovanligt låga räntor bidrar till en viss försiktighet vid planeringen av finanspolitiken. Under de senaste åren har marginalen till underskottsmålet på 0,5 procent av BNP i budgetlagen ökat och budgetförslaget för 2020 innebär en uppskattad strukturell budgetbalans på -0,1 procent av BNP. Skulderna till EMU ligger tydligt under skuldgränsen på 60 procent av BNP som anges i EU:s stabilitets- och tillväxtpakt. Under 2018 växlade den offentliga nettoskulden till ett positivt nettovärde och ett fortsatt positivt nettovärde motsvarande cirka 3,5 procent av BNP väntas för 2019 och 2020.

I Finland har de offentliga utgifterna överstigit de offentliga intäkterna under rådande högkonjunktur. Finlands offentliga finanser har ett strukturellt underskott som förväntas växa under de närmaste åren. De offentliga finanserna kommer att ytterligare försvagas av en avmattning i den ekonomiska tillväxten, högre utgifter till följd av en åldrande befolkning samt av de ökade utgifterna som planeras i den statliga budgeten.

På Island används det finanspolitiska utrymmet som skapats under den senaste högkonjunkturen delvis för att lindra avmattningen i ekonomin. Budgetförslaget för 2020, som överlämnades till parlamentet i september, överensstämmer med den reviderade budgetplanen och antar ett balansöverskott med 1,6 procent av BNP jämfört med 2,4 procent av BNP, vilket var det ursprungliga förslaget. Enligt budgetpropositionen kommer den offentliga skuldkvoten att uppgå till 34 procent av BNP vid årets slut, från 90 procent 2011.

I Norge har regeringen övergått till en neutral finanspolitisk hållning de senaste åren. Regeringen fortsätter denna ansvarsfulla politik i 2020 års budget och stödjer konkurrenskraft, strukturanpassning och tillväxt i den privata sektorn. Den finanspolitiska impulsen för 2020 beräknas till -0,2 procentenheter. Utgifterna från petroleumintäkterna för 2020 motsvarar 2,6 procent av det uppskattade kapitalet i

statens globala pensionsfond i början av 2020. Detta ligger under fondens förväntade reala avkastning, uppskattad till 3 procent.

I Sverige beräknas den offentliga sektorns nettoutlåning motsvara 0,4 procent av BNP 2019 och 0,3 procent av BNP 2020. Den finanspolitiska situationen förväntas i stort sett vara neutral under 2020. Den offentliga sektorns skuldkvot ligger strax under 39 procent av BNP 2018 och beräknas ligga under 35 procent 2019. Från och med 2020 beräknas den offentliga sektorns skuldkvot att ligga på en nedgående trend i linje med skuldankaret.



Nordic Council of Ministers
Nordens Hus
Ved Stranden 18
DK-1061 Copenhagen
www.norden.org

Nordic Economic Outlook 2019

The Nordic Economic Outlook is an annual report on the economic development in the Nordic countries in terms of growth, business cycles and public finance.

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