

Economic climate in the Baltic Sea Region

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Time of change

- Baltic Sea growth convergence
- World economy growing by around 3% – the new normal
- US presidential election: Clinton or Trump?
- Brexit: article 50 - will it be invoked at all?
- Easy monetary policy for long time yet – but it cannot stand alone
- Geopolitical risks – Ukraine/Russia, Southeast Asia, Middle East

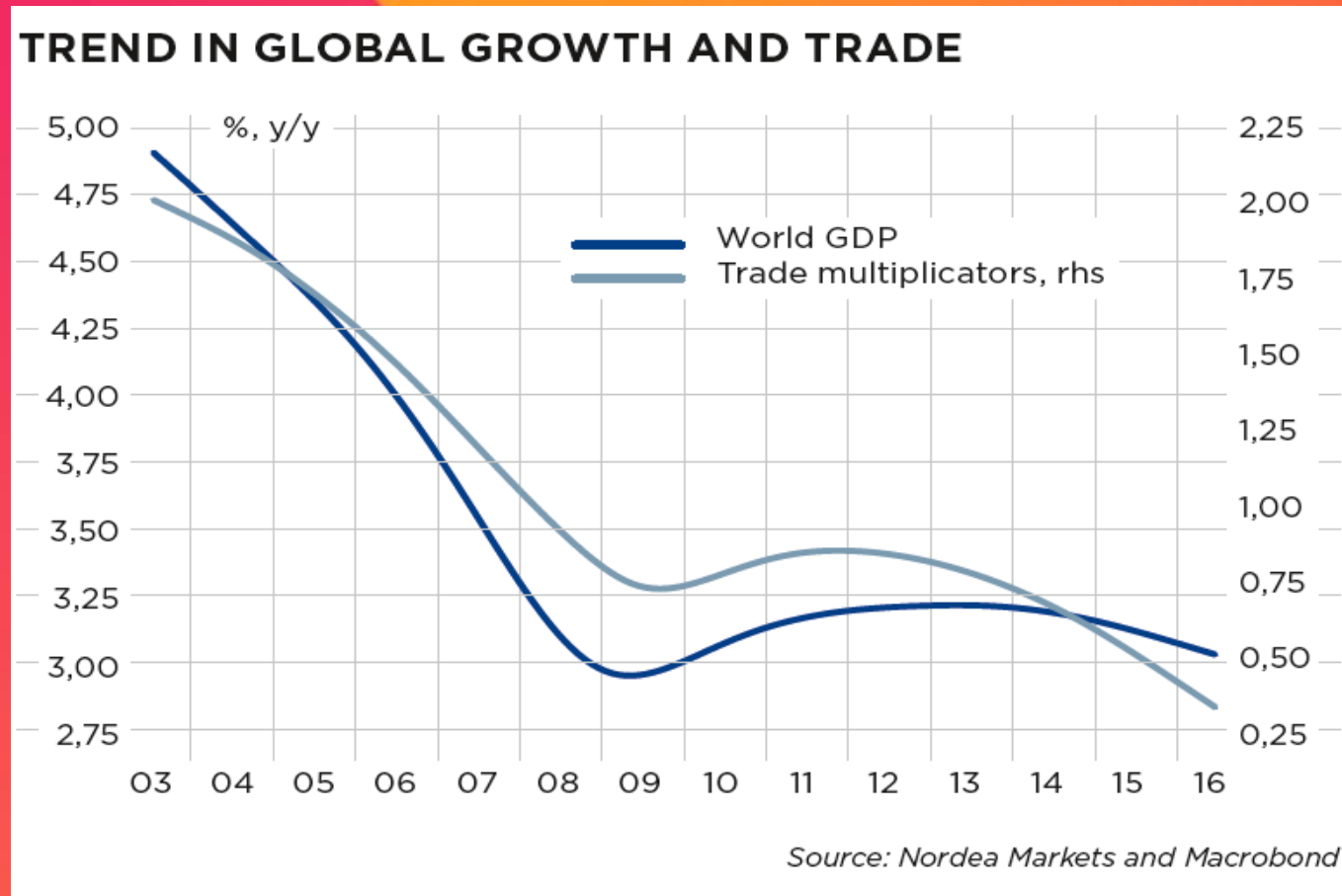
Growth is driven by domestic demand

BALTIC SEA REGION, REAL ANNUAL GROWTH RATES UNLESS OTHERWISE NOTED

	2011	2012	2013	2014	2015	2016E	2017E
Private consumption	2.2	1.7	1.5	1.5	2.0	1.9	1.8
Government consumption	0.3	1.0	0.8	1.4	1.4	2.1	1.4
Gross fixed capital formation	7.1	2.5	0.9	2.6	-0.3	2.4	2.6
Exports	5.3	2.0	0.8	2.7	3.0	1.1	2.8
Imports	7.8	2.1	2.1	3.3	1.6	2.0	3.1
GDP	2.2	0.9	0.7	1.6	1.9	1.7	1.6
Inflation, % y/y	2.8	2.2	2.0	1.6	1.6	1.7	2.0
Unemployment, %	6.4	6.1	6.0	5.9	6.1	6.0	5.8
Government budget balance, % of GDP	2.6	2.6	2.2	2.0	0.4	0.7	0.6
Current account balance, % of GDP	5.9	5.9	5.8	6.6	6.0	4.6	4.7

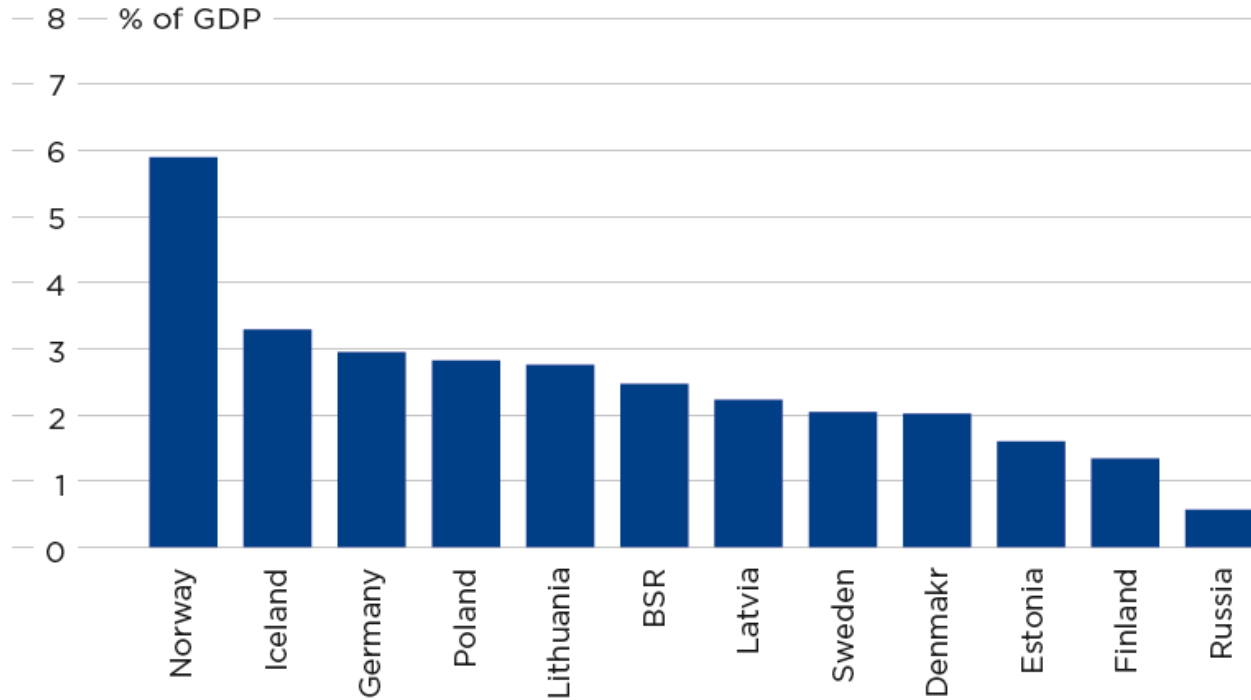
Source: Nordea Markets

Weak growth in world trade is a huge challenge to (small) open economies



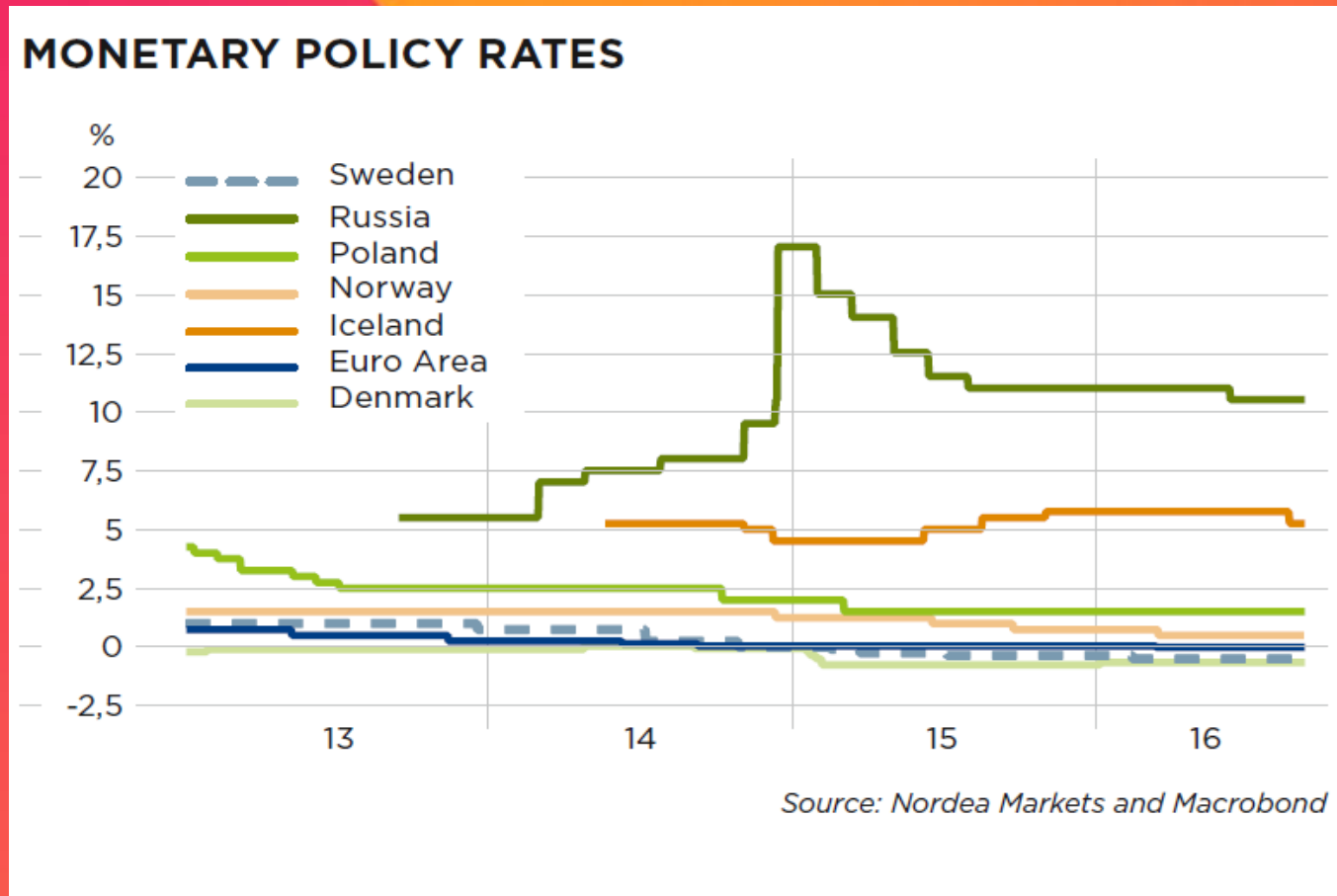
Brexit can potentially be harmful to exporters

EXPORTS TO UK, SHARE OF GDP



Source: Nordea Markets and Macrobond

The domestic demand is helped by the low interest rates



...which will remain for long

Based on our regular economic and monetary analyses, we decided to keep the **key ECB interest rates** unchanged.

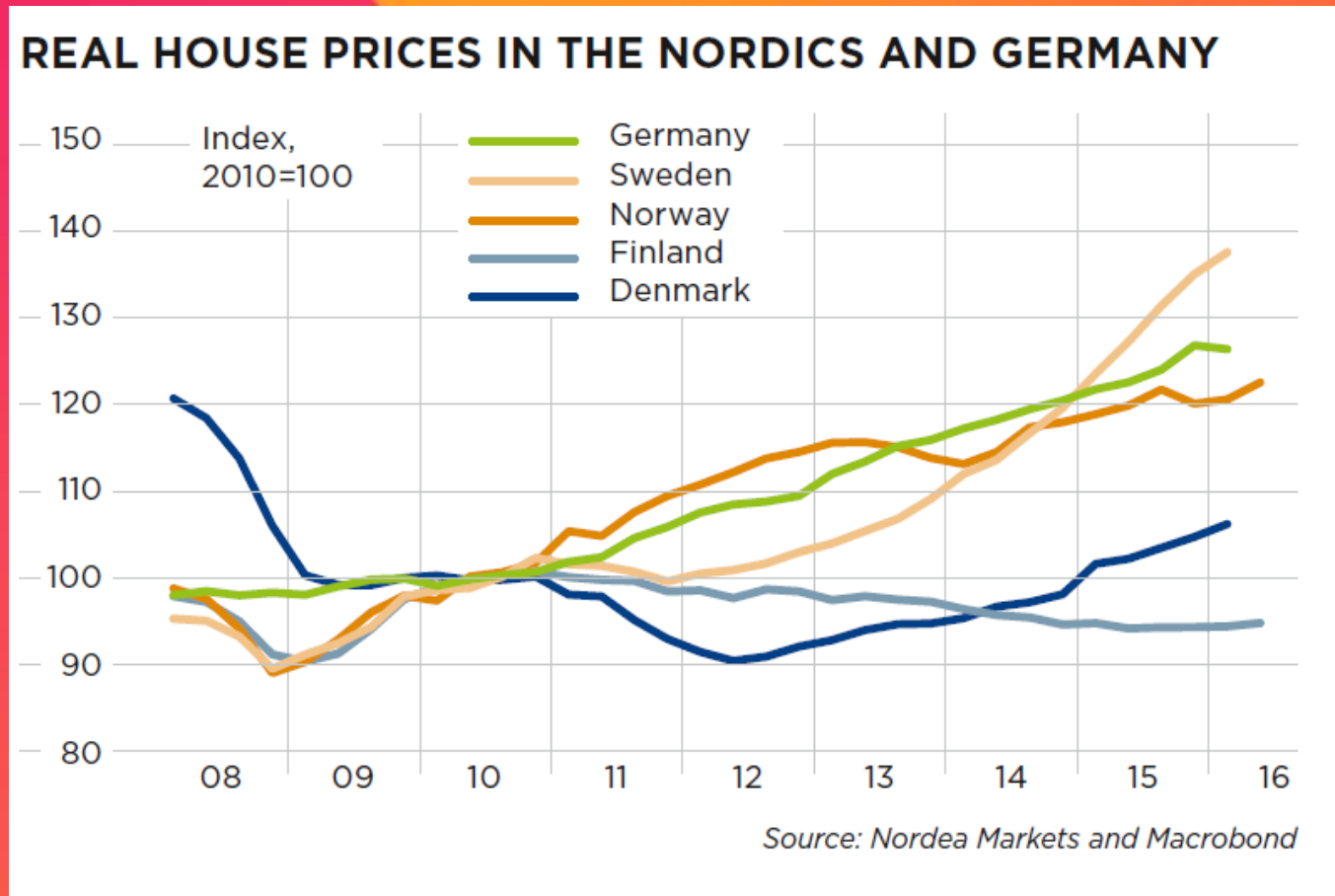
We continue to expect them to remain at present or lower levels for an extended period of time, and well past the horizon of our net asset purchases.

Regarding **non-standard monetary policy measures**, we confirm that the monthly asset purchases of €80 billion are intended to run until the end of March 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim.

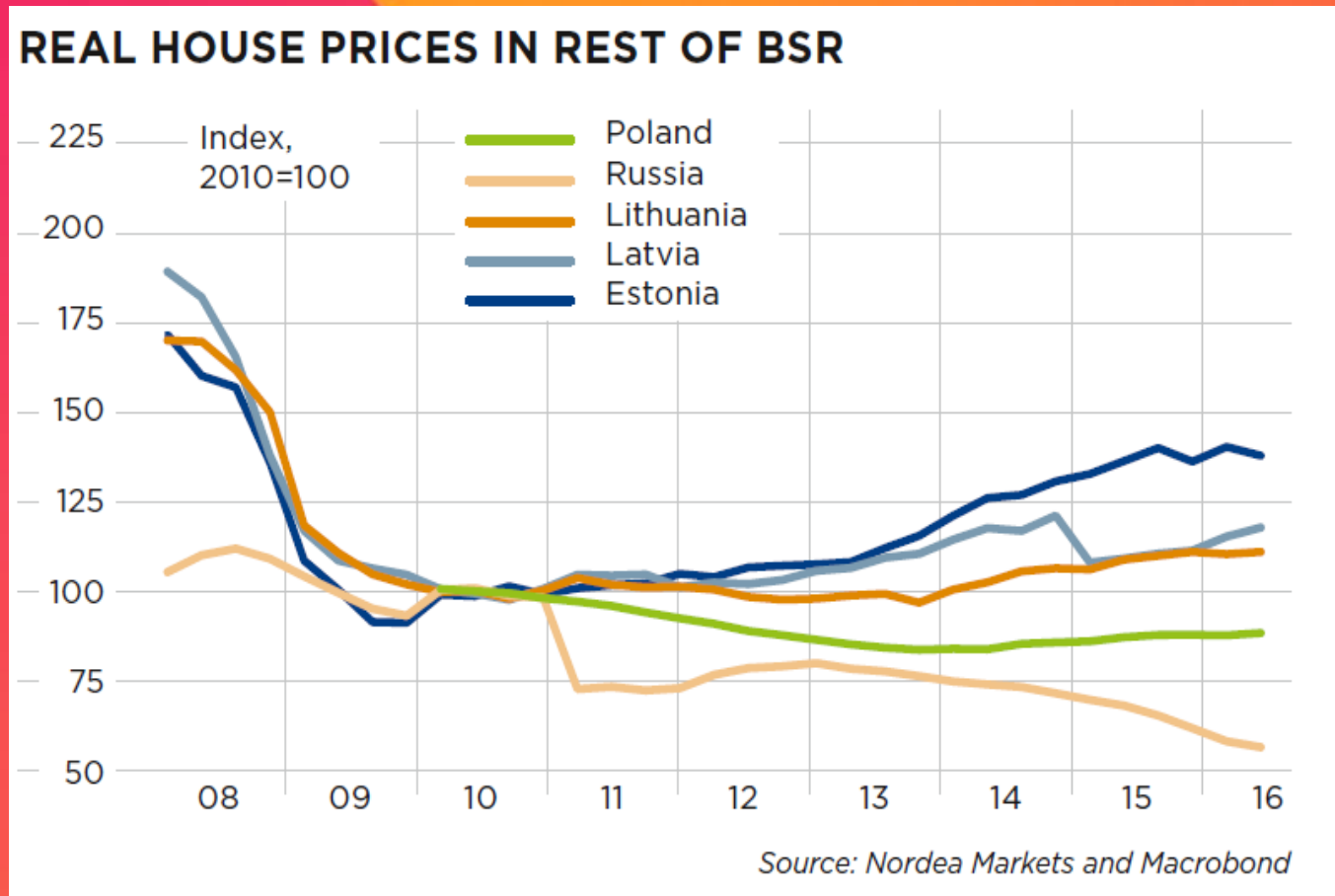


Mario Draghi, Frankfurt 20 October 2016

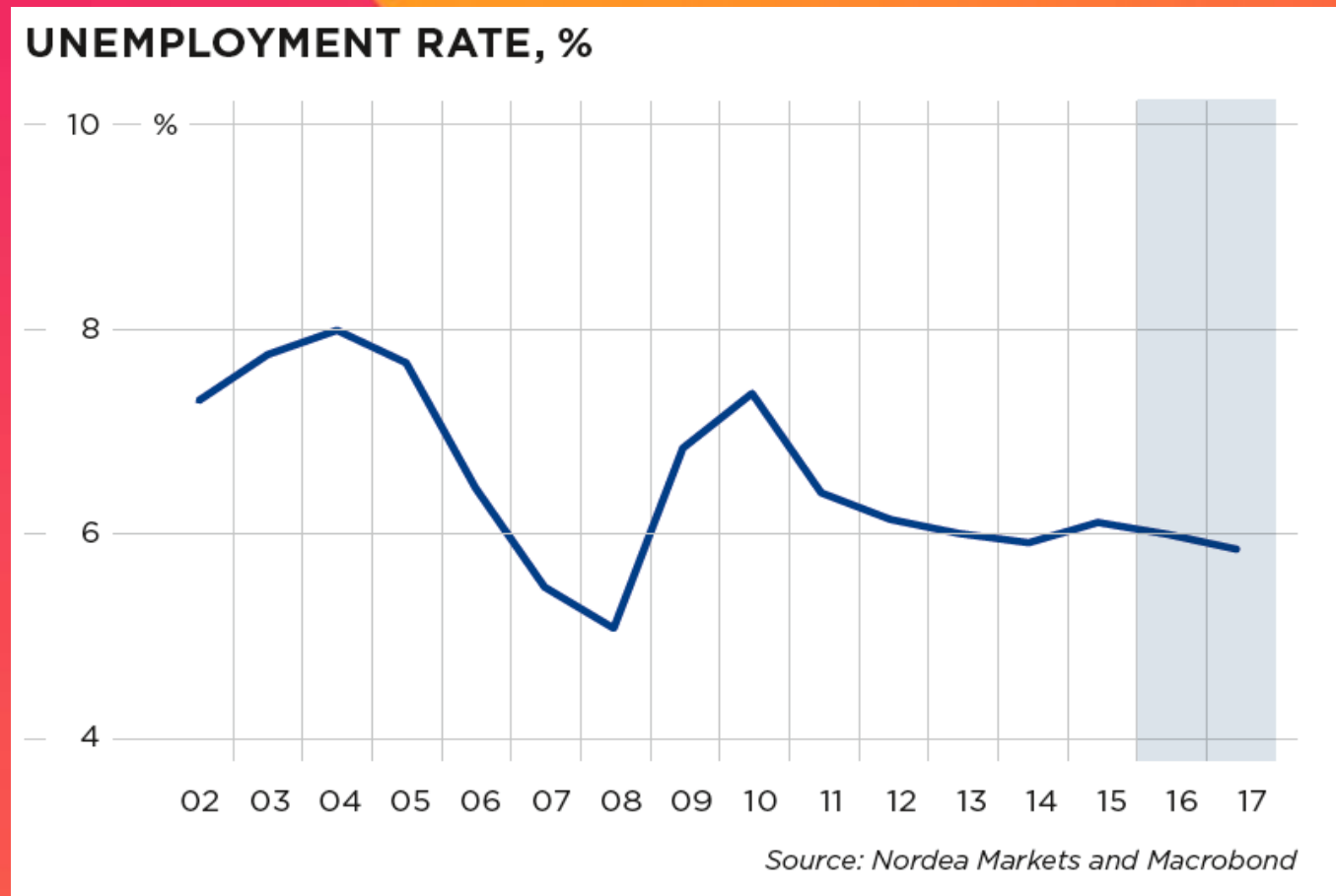
Risks of bubbles in real estate prices?



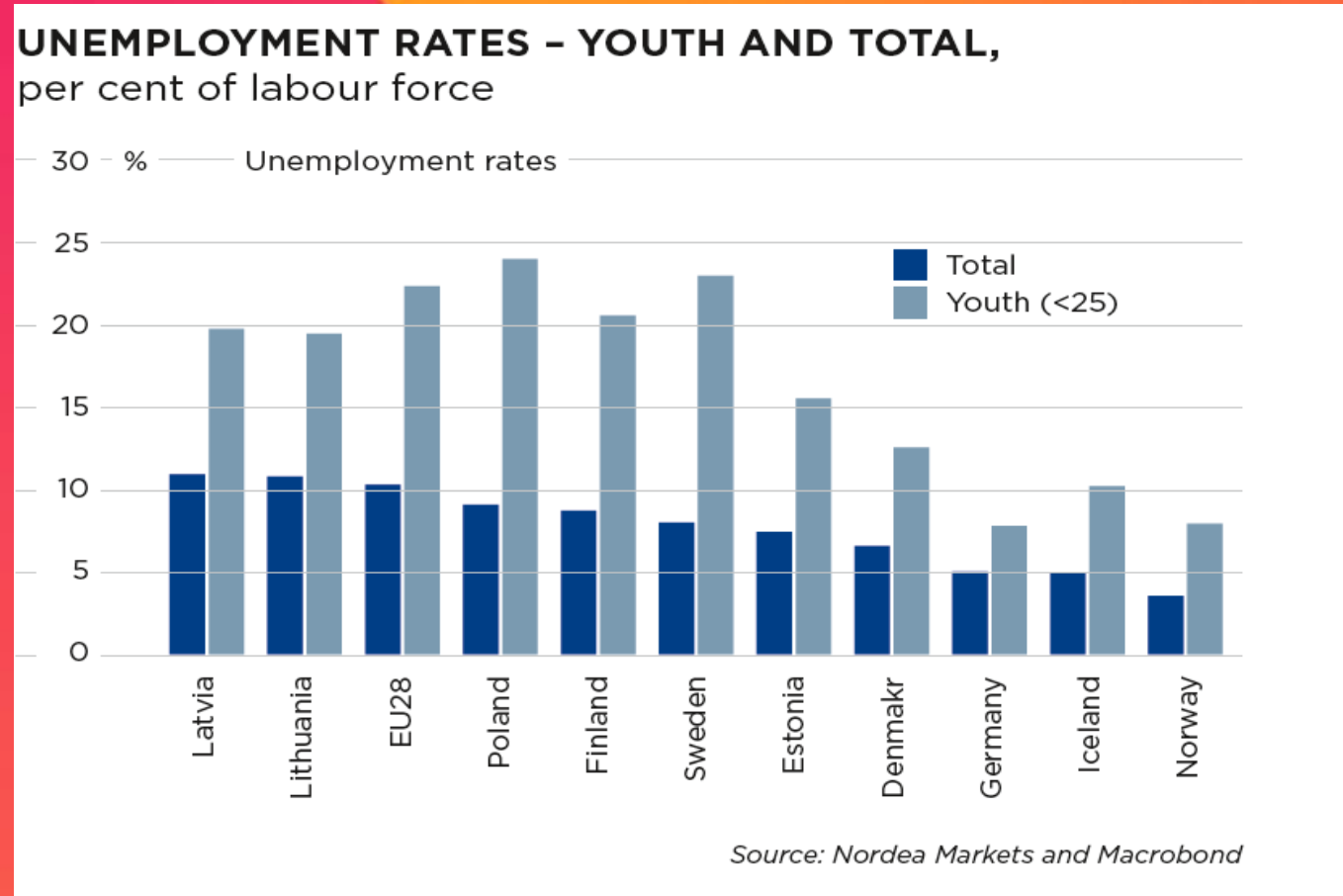
Risks of bubbles in real estate prices?



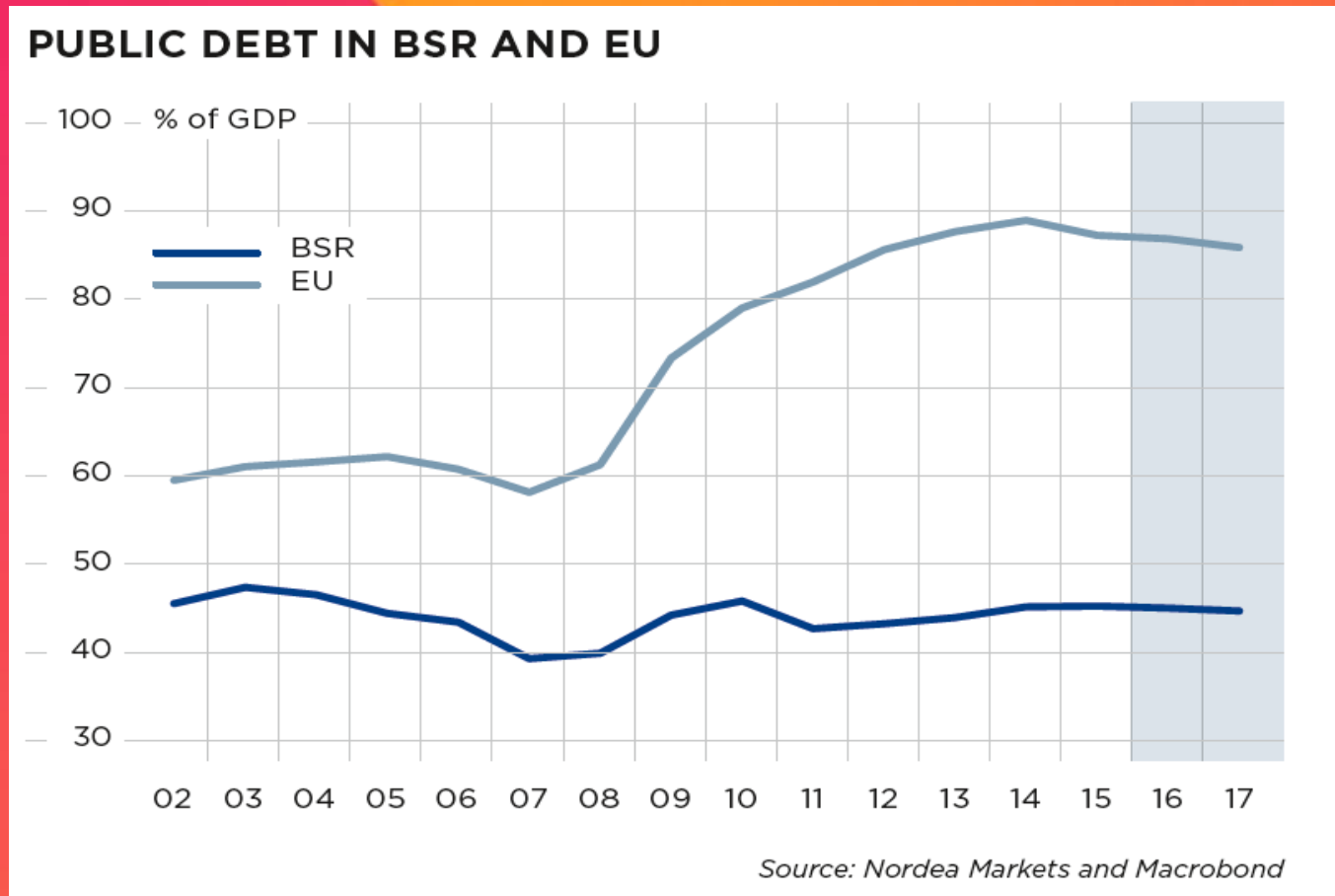
The job situation has improved



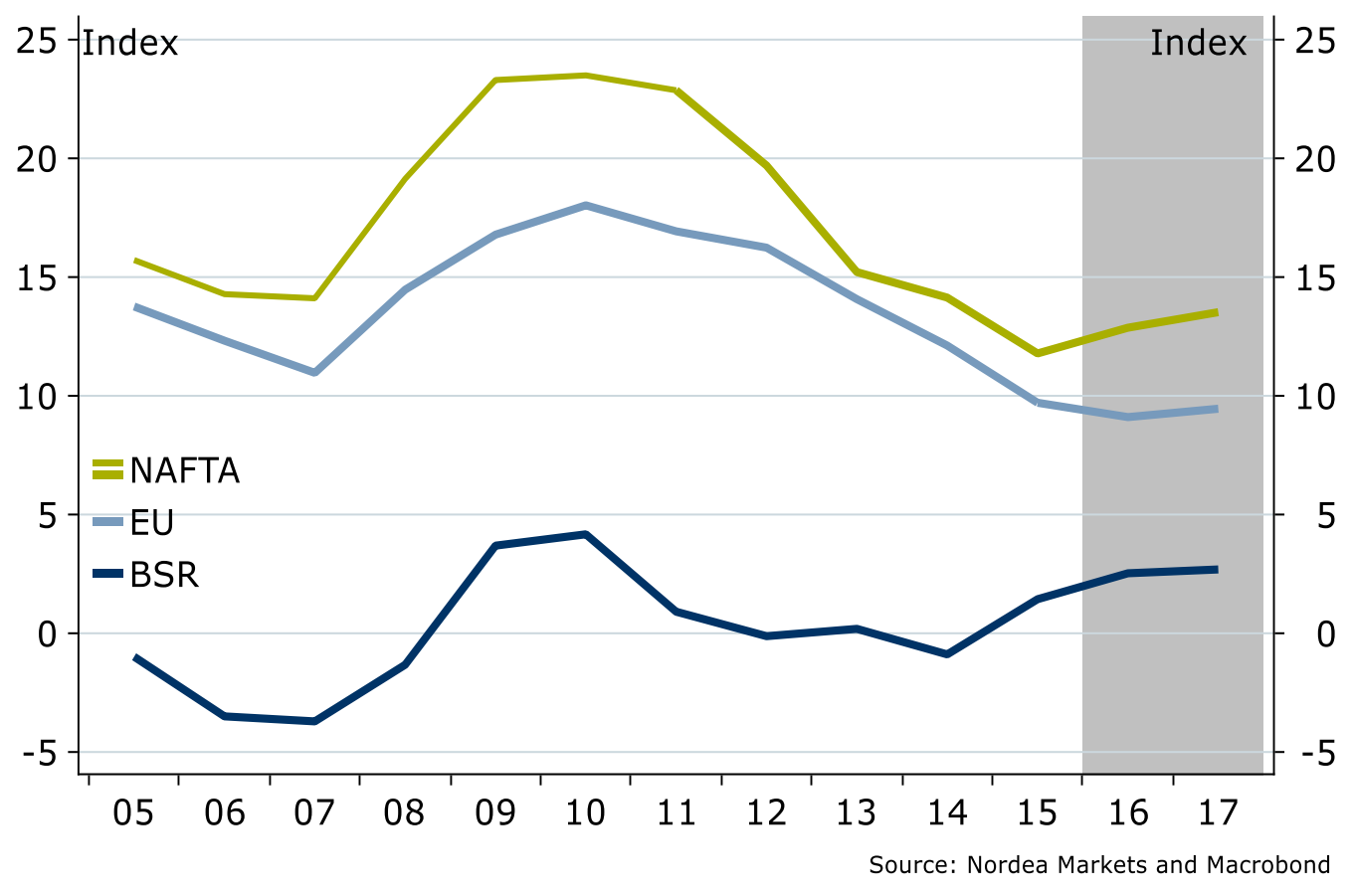
But youth unemployment still pose a big problem



Economic governance is among the best in the world



Less economic misery than in most other places on earth



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Thank you!

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**BALTIC
DEVELOPMENT
FORUM SUMMIT**

Exploring Potential

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