

## Scandi Economics Update

- **Sweden — Weak GDP in 2Q.** GDP growth in Sweden fell by 0.1% Q/Q in 2Q 2013, slightly weaker than our forecast, but well below the Riksbank's projection (Citi: 0.0% Q/Q, Riksbank: 0.3% Q/Q and consensus: 0.1% Q/Q). In annual terms, GDP growth was up by 0.6%. Since the second quarter of 2013 had one day more compared to the same quarter of 2012, the working-day adjusted GDP is about 0.5pp lower than the actual GDP, the statistical office said. In addition, the Office said that no historical changes have been made to the data. According to the split, household and public consumption rose by 1.8% Y/Y each and the change in inventories gave a positive contribution of 0.6pp to overall GDP. Meanwhile, investment slipped by 2.7% Y/Y and exports and imports were down by 3.2% Y/Y and 2.8% Y/Y, respectively. The ongoing large positive growth contribution from inventories is somewhat surprising given both the business cycle and the large decline in imports, and suggests that underlying demand may be even weaker than implied by headline GDP. Comment: The decline in 2Q GDP should be regarded as a reaction to the stronger-than-expected growth gain in 1Q 2013 (0.6% Q/Q, 1.7% Y/Y), and we note that both sentiment indicators and the gradual increase in employment support our forecast of full-year GDP growth of around 1.2% this year. It is important, though, to keep in mind that the 2Q GDP flash estimate is based on a smaller data set than other quarters (as is the case every year), and, hence, can be subject to revisions at a later stage. Statistics Sweden publishes the 2Q flash estimate in order to provide information to assist the government prepare its autumn budget bill. In other words, complete inventories data are not included in yesterday's release. The final 2Q GDP statistics will be released on September 13, which is after the September Monetary Policy Update (5 Sep).
- **Sweden — FinMin: Weak GDP supports additional fiscal measures.** Commenting on the weak GDP figure yesterday, Finance Minister Anders Borg said "*it shows the need for [additional] measures to support demand and employment in Sweden*", reports business daily *Dagens Industri*. The Autumn Budget Bill will be presented on 18 September. Comment: With a backdrop of well-below-trend GDP growth and rising unemployment, the government has announced total fiscal stimulus of around SEK 25bn (0.7% of GDP) this year. Given lackluster growth prospects and a general election scheduled for 2014, we expect the expansionary fiscal policy to accelerate from next year to around SEK30bn, and include more voter-friendly reforms (i.e. income tax cuts and government grants) versus this year's structural measures.
- **Norway – 2Q industrial confidence.** Today at 9.00 UK time, the quarterly business sentiment survey will be released. This survey is more important and also more closely watched than PMI. Given the slight improvement in euro area sentiment readings as well as some hard data in recent months (albeit expectations remaining well below historical averages), we could see some improvement in Norwegian sentiment in 2Q. However, the development in PMI suggests stable sentiment in 2Q. For more, see p. 2.
- **Norway – May jobless rate.** Today at 9.00 UK time, Statistics Norway publishes LFS labour market data for the month of May (Apr-Jun). For more, see p. 2.

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**See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.**

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- **Norway – 2Q industrial confidence.** Today at 9.00 UK time, the quarterly business sentiment survey will be released. This survey is more important and also more closely watched than PMI. In 1Q, sentiment in the Norwegian manufacturing sector weakened following a recovery in late-2012. The sentiment indicator declined from a net balance of 5.1 in 4Q 2012 to 1.1 in 1Q, below the long-term average, and, in turn, suggests slightly below-trend growth in the sector. The deterioration reflected to a large extent a sluggish order intake, which fell for a third consecutive quarter. The weakening momentum in Norwegian manufacturing was well in line with the renewed slowdown in Europe. Recall that Europe absorbs around 70% of Norwegian mainland exports (i.e. excl. oil/gas and shipping), with the largest part comprising intermediate goods (sensitive to the international manufacturing cycle). Given the slight improvement in euro area sentiment readings as well as some hard data (IP, retail sales) in recent months (albeit expectations remaining well below historical averages), we could see some improvement in Norwegian sentiment in the second quarter as well. However, the development in PMI suggests about stable sentiment in 2Q (PMI averaged 49.8 in 1Q and 49.4 in 2Q).
- **Norway – May jobless rate.** Today at 9.00 UK time, Statistics Norway publishes LFS labour market data for the month of May (Apr-Jun). The LFS jobless data suggest that unemployment leveled out in the beginning of the year, following the sharp deterioration in the final quarter of 2012, where the seasonally-adjusted jobless rate jumped to the highest level in two years of 3.6% in December, up 0.5pp from September. Meanwhile, employment continues to expand, albeit at a much more moderate pace than during 2012. We look for a stable jobless rate of 3.5% in May.

## Appendix A-1

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