

Economic Outlook – green shoots show the way out of recession

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Markets

The recession is over, but still a long way home

- Green shoots show the way out of recession
- Lenient economic policy starting to take effect
- Watch out for exaggerated optimism
- Interest rates at bottom – need for intelligent exit strategy
- Risk of government debt problems – but not collapse
- Risk appetite will decide FX market performance



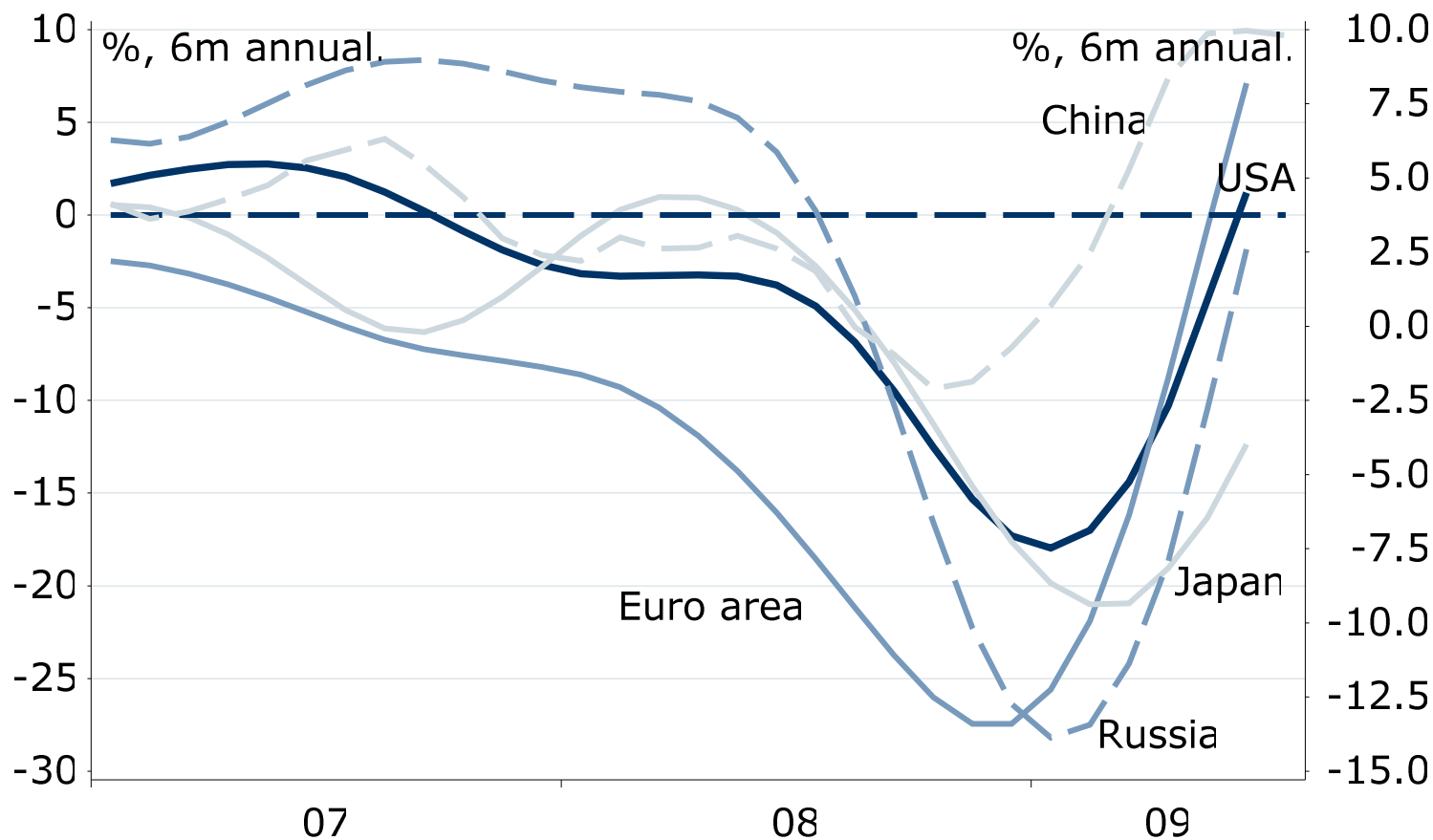
Forecasts

Growth, %

	2007	2008	2009E	2010E	2011E
World ¹⁾	4.8	2.4	-1.2	3.4	3.4
BIG-3 ²⁾	2.4	0.3	-3.4	1.8	1.6
USA	2.1	0.4	-2.6	1.7	1.7
Japan	2.4	-0.7	-5.8	1.3	1.2
Euro area	2.7	0.6	-3.5	2.1	1.6
Finland	4.2	1.0	-4.5	2.5	2.0
Denmark	1.6	-1.2	-3.0	1.5	1.7
Sweden	2.6	-0.2	-4.2	2.8	2.0
Norway	6.1	2.6	-0.8	2.7	2.5
Iceland	5.5	0.3	-10.1	-1.7	2.4
Russia	8.1	5.6	-7.0	1.5	3.0
Poland	6.8	4.8	1.2	2.7	4.0
Estonia	6.3	-3.6	-14.0	-2.5	1.5
Latvia	10.0	-4.6	-18.0	-3.0	2.0
Lithuania	8.9	3.0	-16.0	-4.0	1.0
China	13.0	9.0	8.8	10.5	10.0

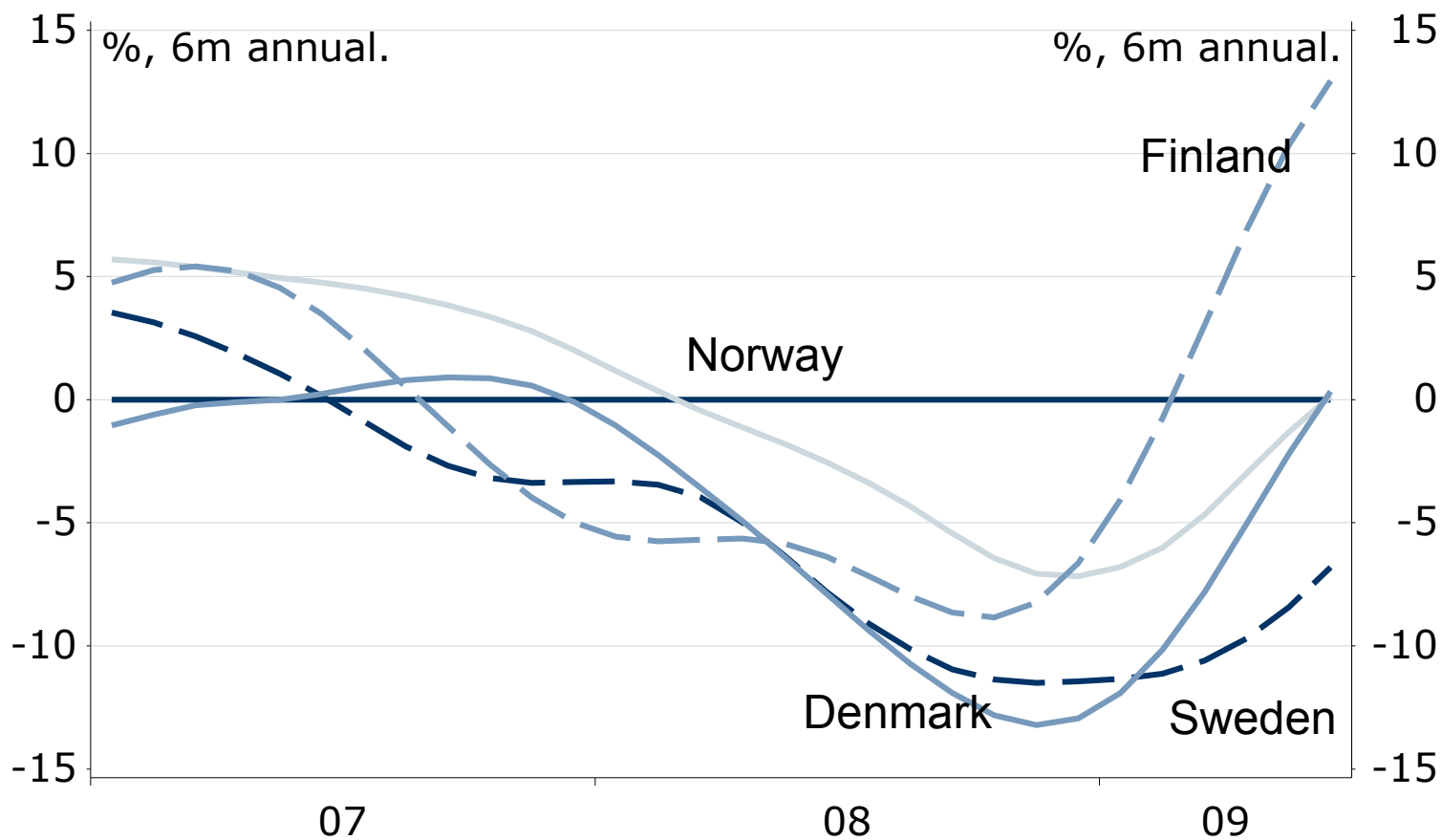


Brighter outlook ahead ...



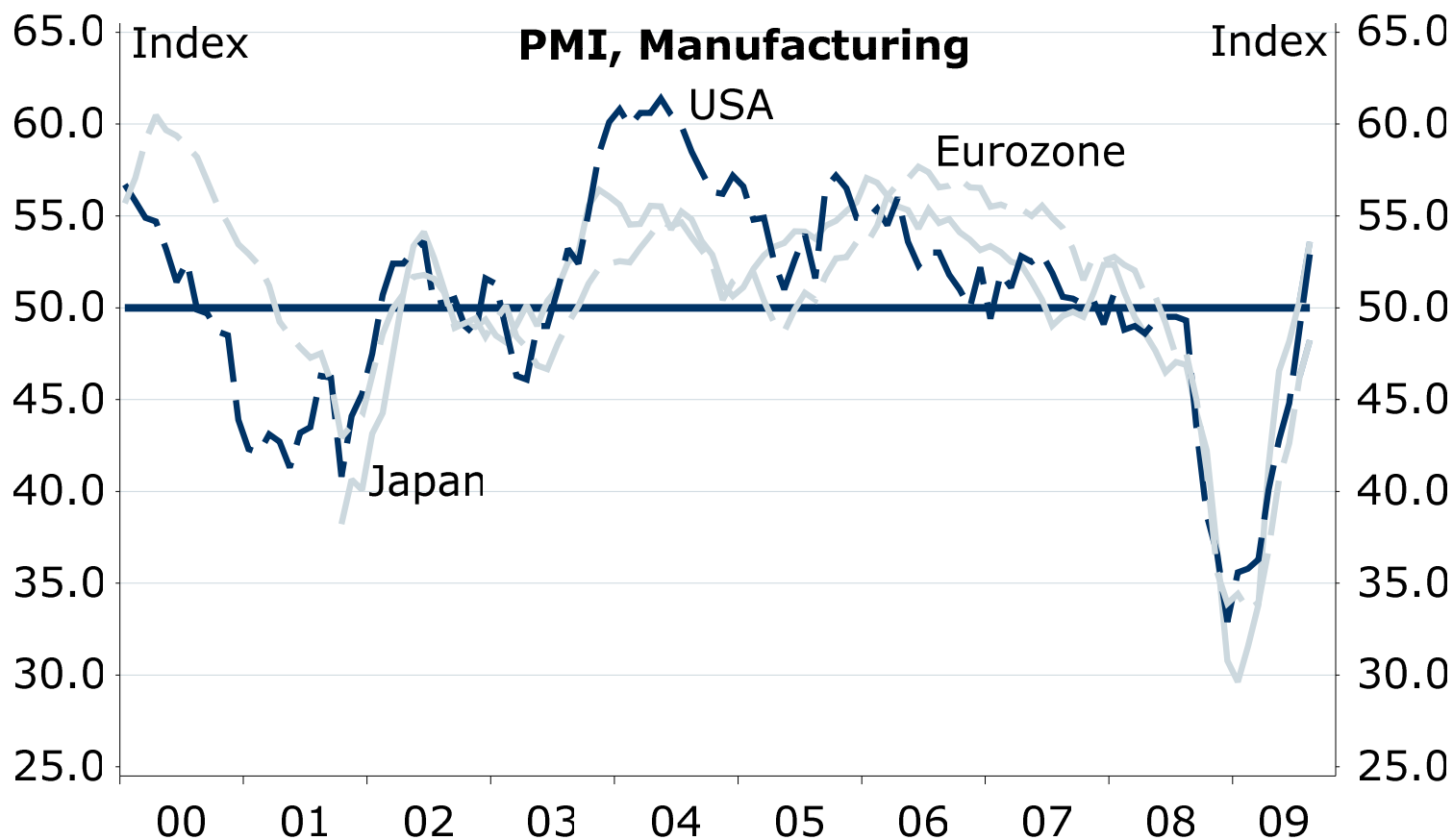


... also in the Nordic countries and the UK





Things really looking up in the manufacturing sector

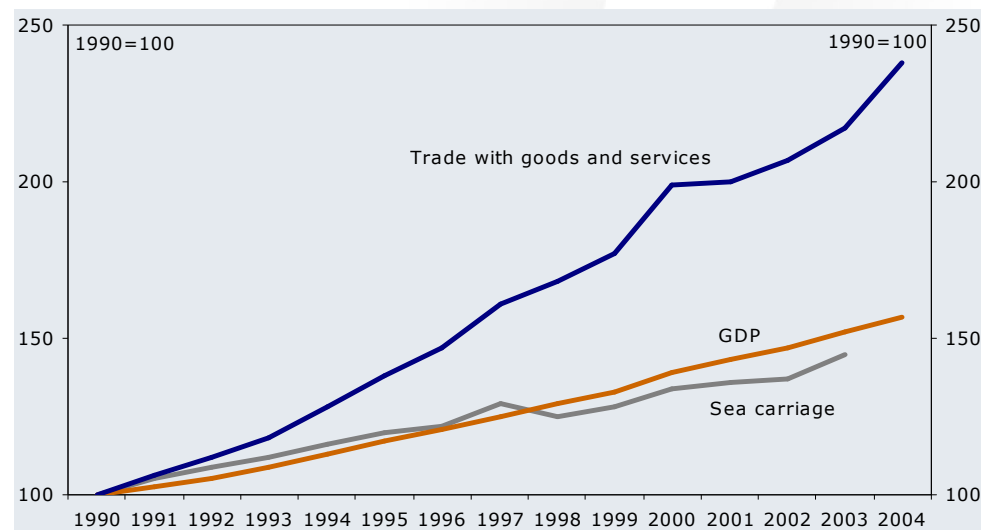




Trade: globalisation matters

–stylised facts

- Trade in goods and services will increase by 2% if world GDP increases by 1%.
- Sea carriage will increase by .9% if world GDP increases by 1%
- The lower elasticity in sea carriage reflects the fact that the value of trade increases by more than the weight. For example increasing trade in electronics, medical products etc.
- Trade triangle Europe – Asia – America.



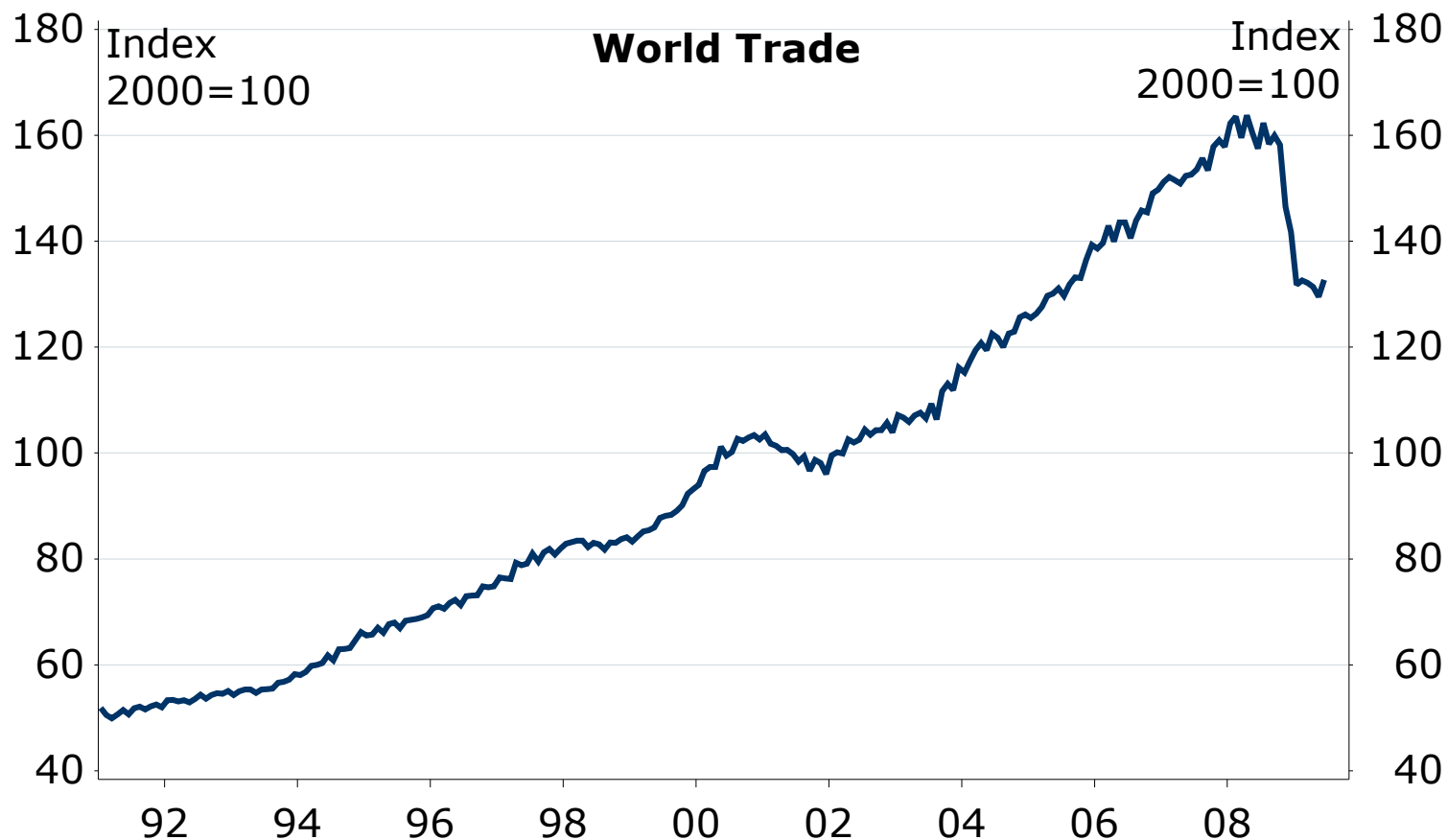
Note: Sea carriage is measured in ton-mil. GDP and trade in constant prices

Mio. ton.	Exports, % of world	Imports, % of world
North America	8	15
Europe	25	34
Asia	19	38
South America	13	6
Africa	9	3
Others	25	3
Seatrade total	100	100

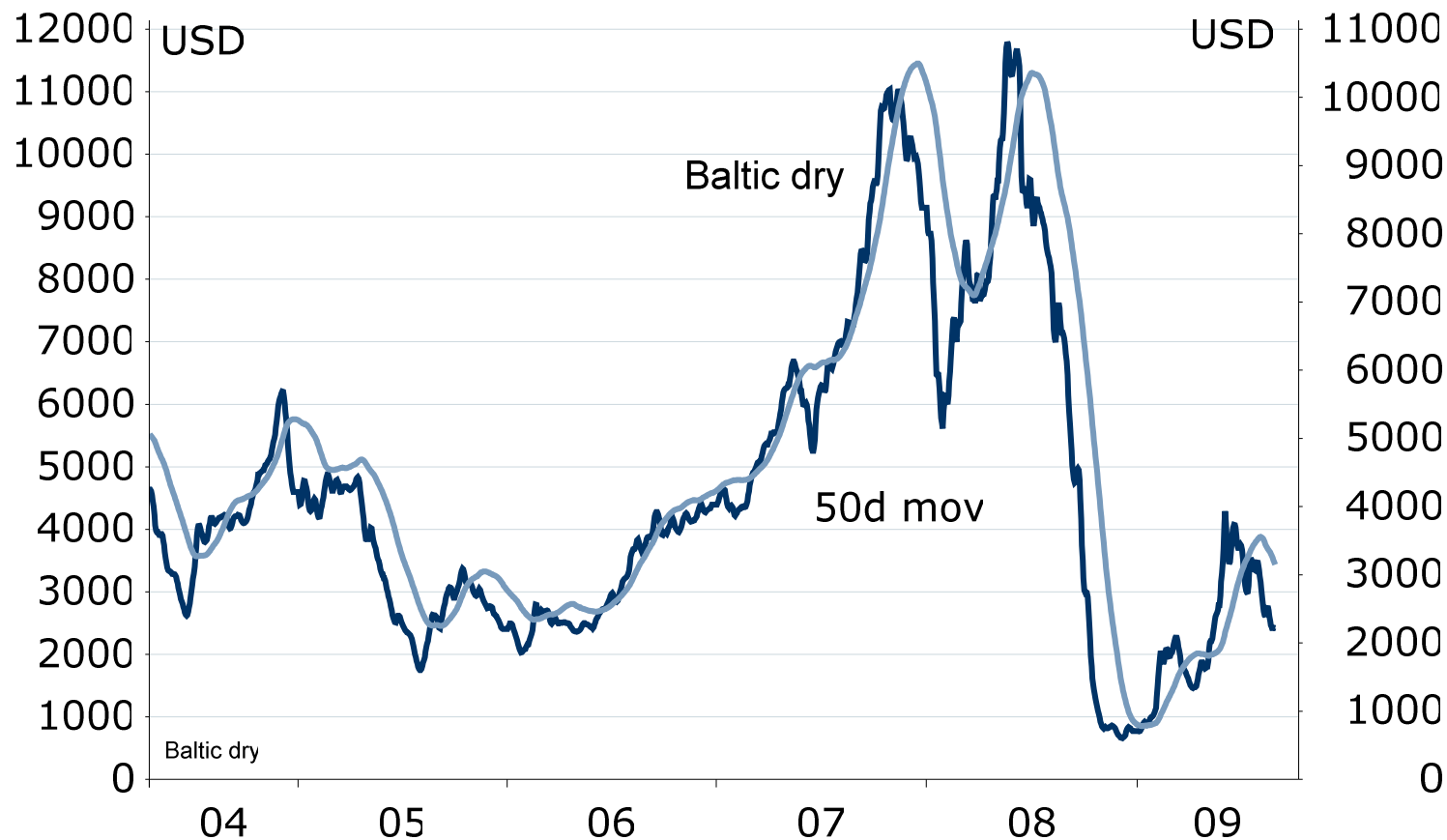
Source: Danmarks Nationalbank



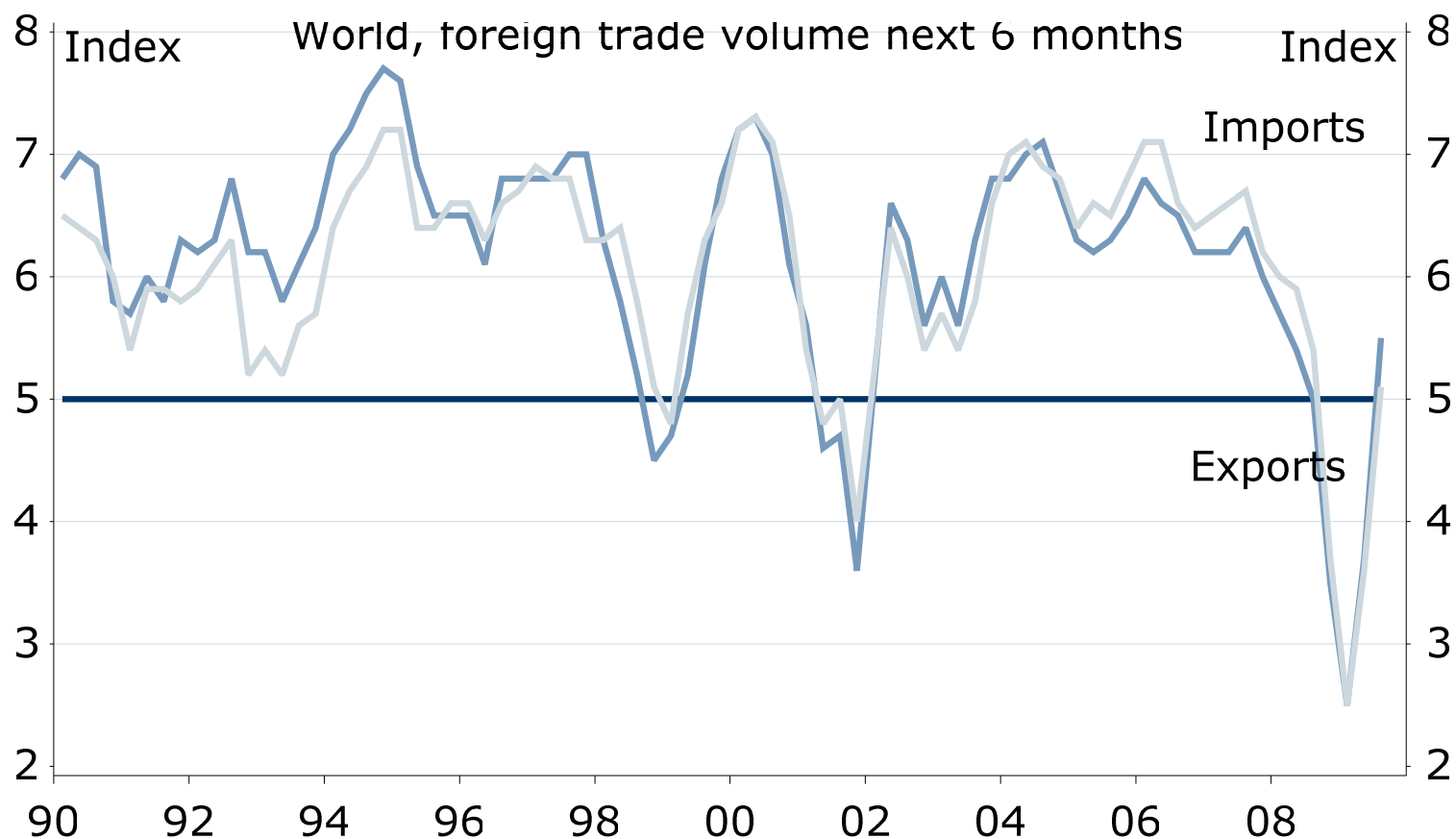
World trade increasing again ...



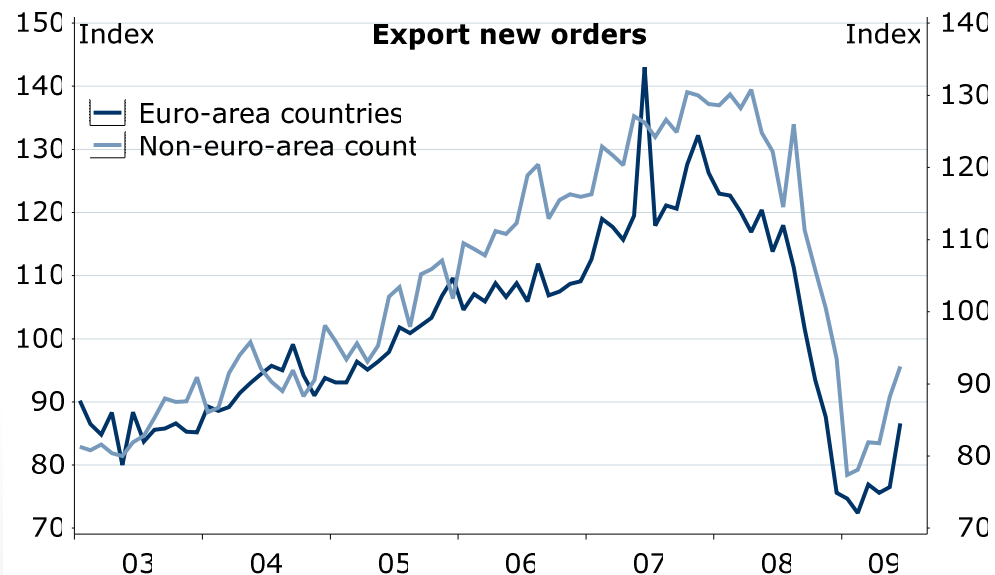
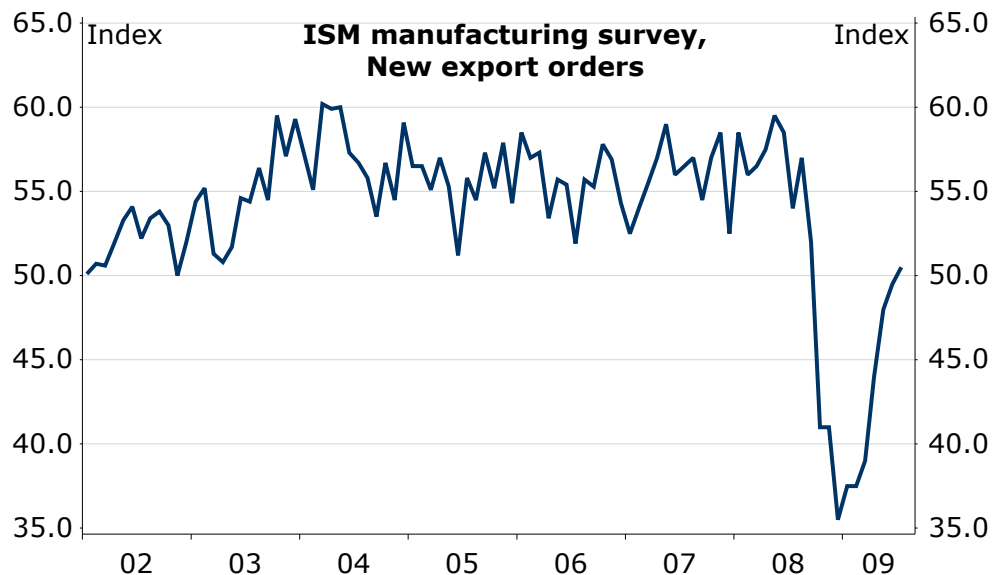
Will this be reflected in freight rates?

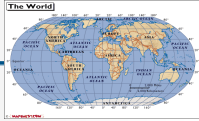


The IFO world economic survey points to further increases over the coming six months ...

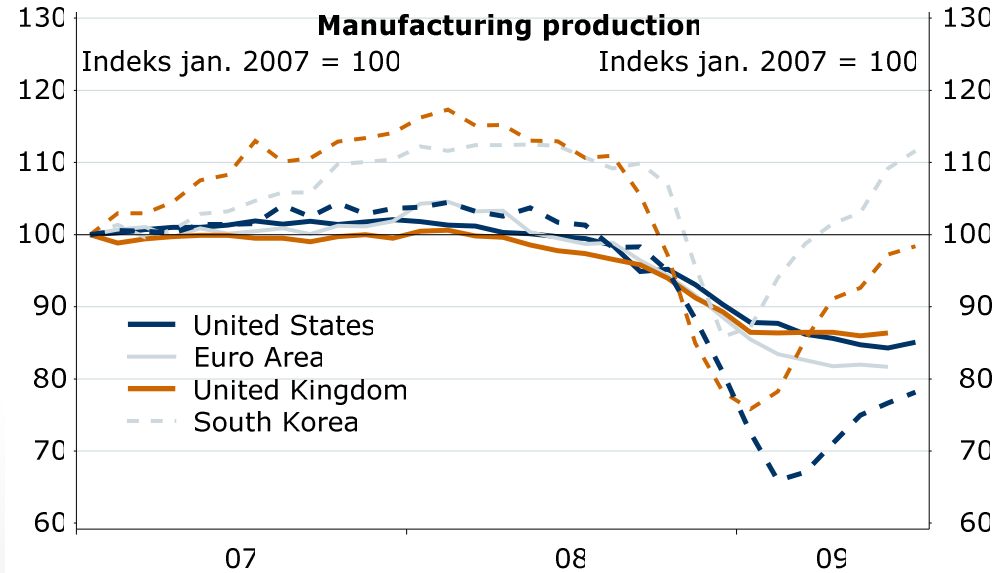
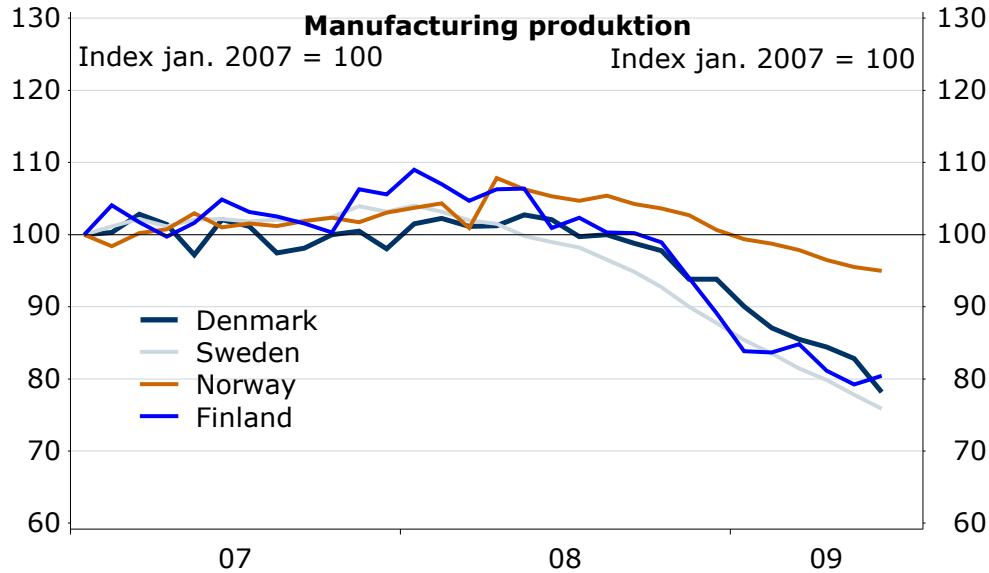


... and the order situation will improve albeit from a low level



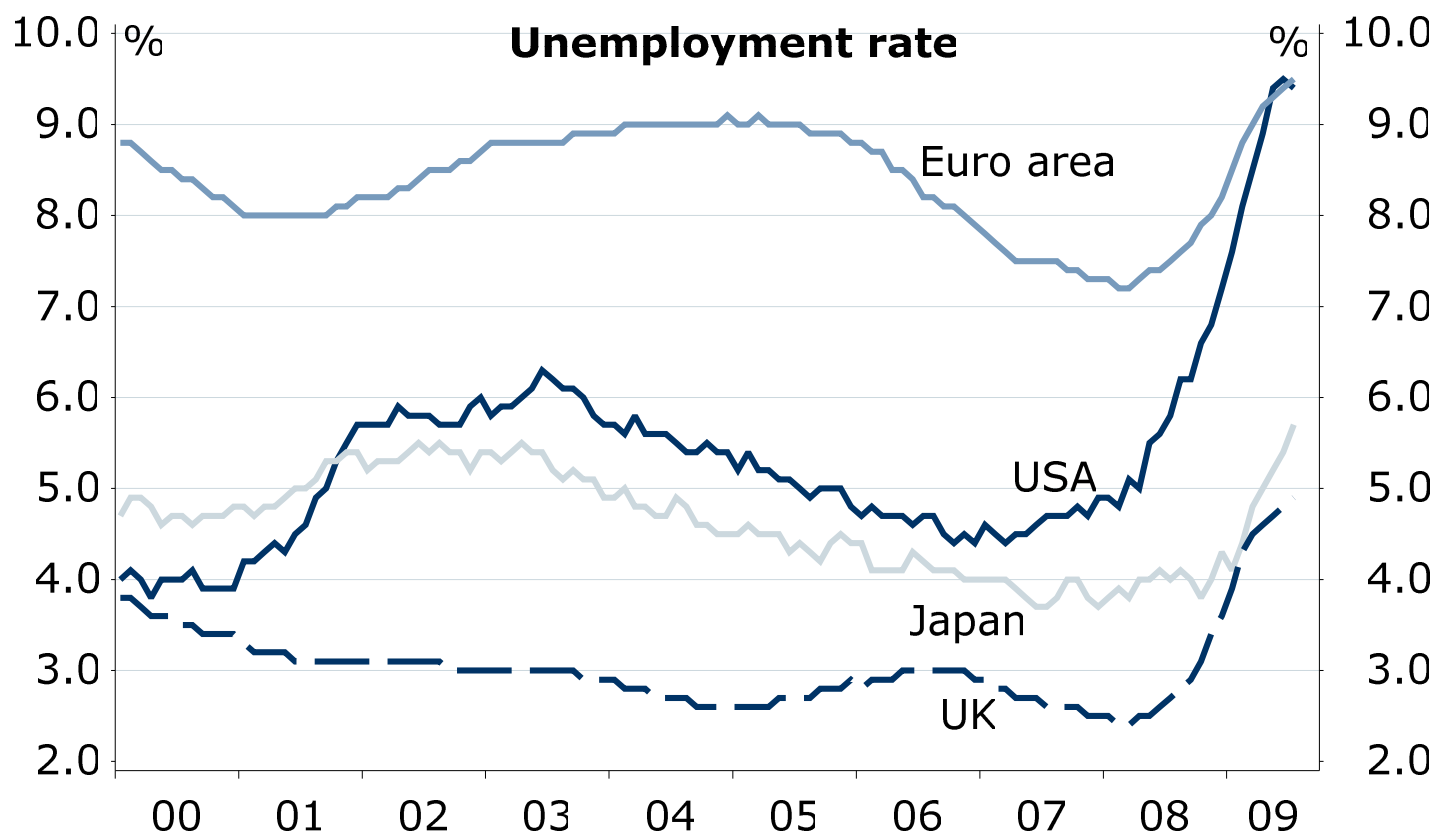


Full speed ahead in Asia; slower pace in the Nordic countries



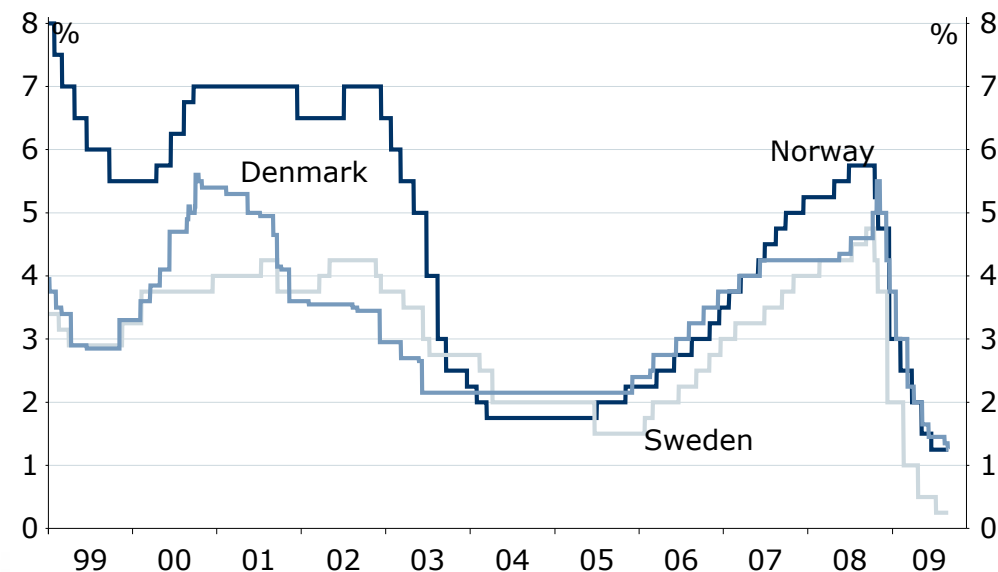
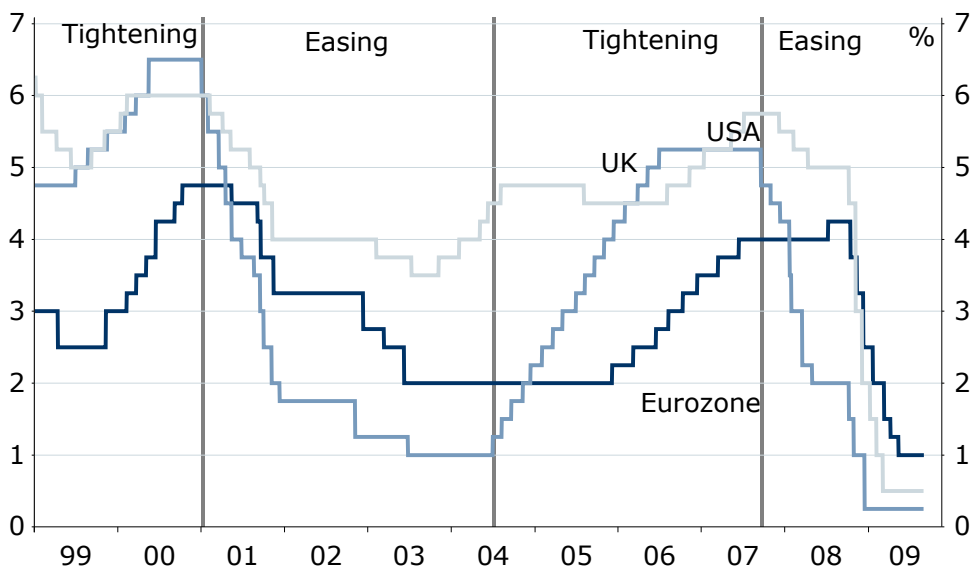


But don't get too optimistic: unemployment has risen dramatically and capacity is ample





Ample scope for record-low interest rates ...



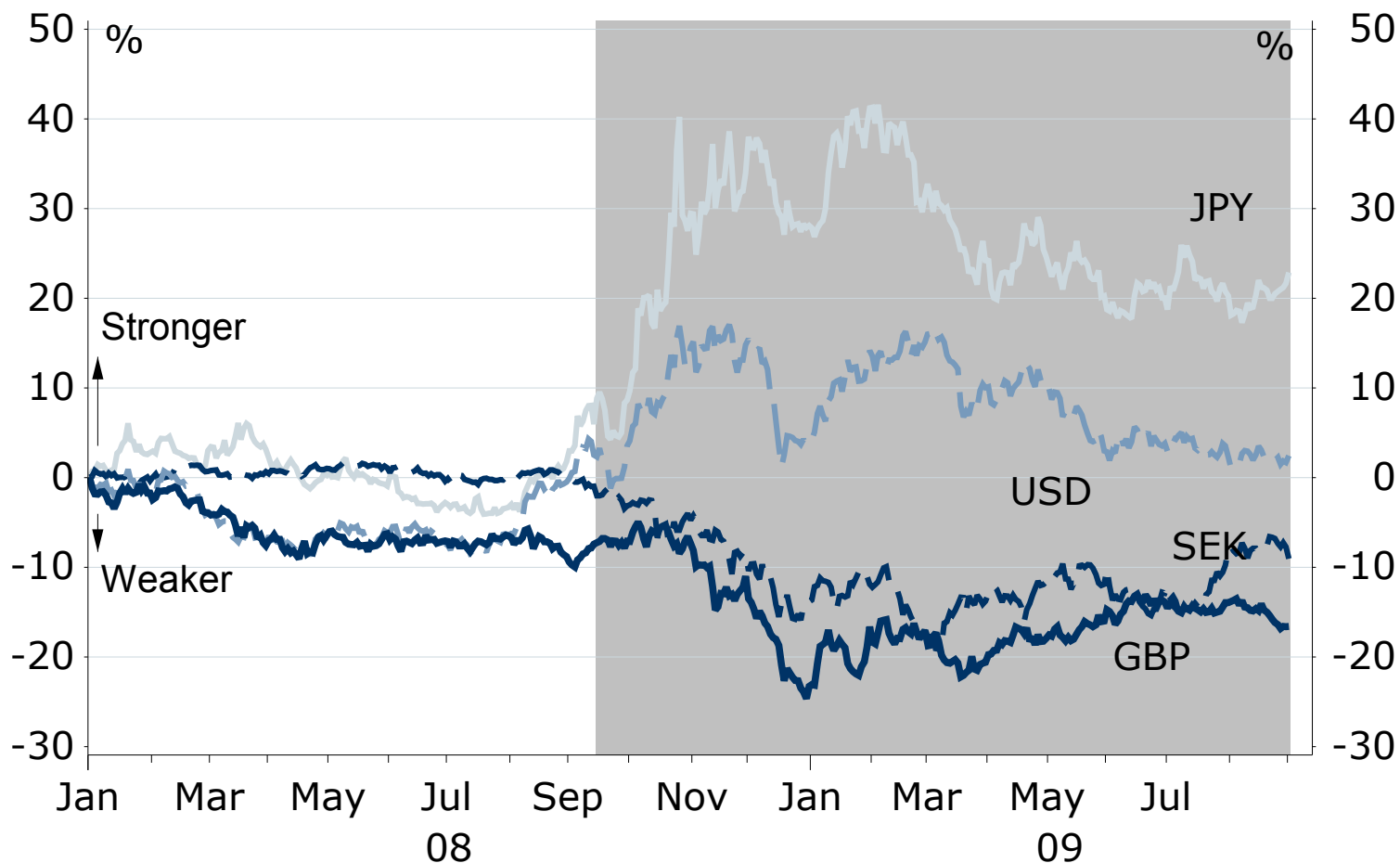


Record-low government yields – sustainable in light of the growing budget deficits?



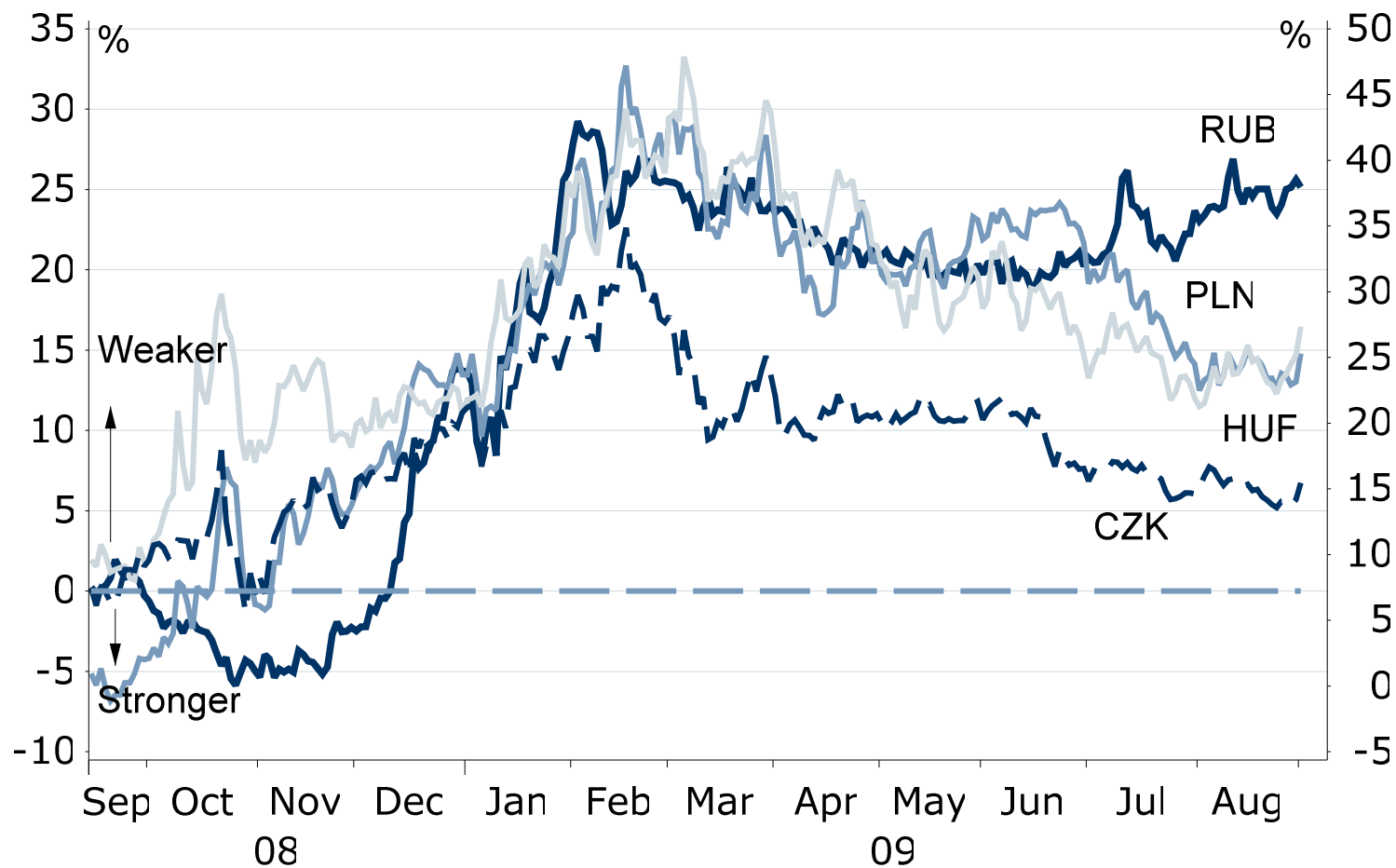


The first FX market shock has now eased ...



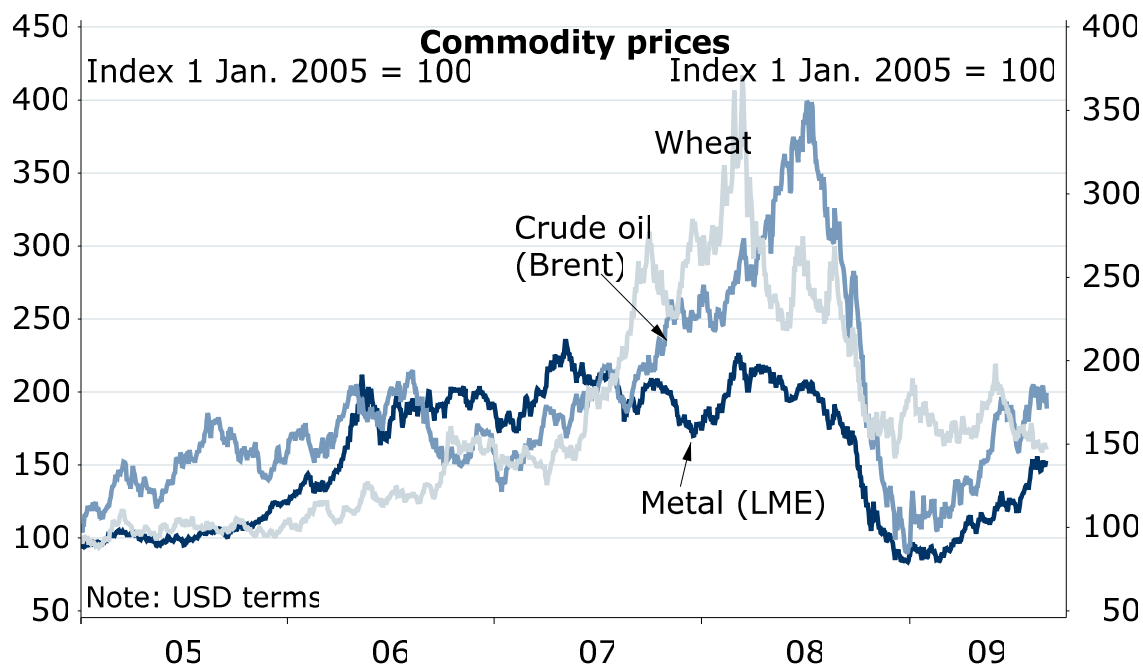


Also in Eastern Europe ...





Grounds for concern?



	Q1	Q2	Q3	Q4	Year
2007	57.8	69.0	75.8	88.7	72.8
2008	97.2	121.0	115.0	55.0	97.0
2009E	44.6	58.9	70.0	75.0	62.1
2010E	80.0	82.0	85.0	88.0	83.8
2011E	90.0	92.0	100.0	110.0	98.0

Risk factors

- Final demand will fail
- Strong propensity to save
- Commodity prices explode
- Economic policy tightened too soon
- The housing market recovers sooner than expected
- The rise in unemployment is contained
- Businesses invest in new technology

Monetary policy forecast

Monetary policy rates

	2.9.09	3M	6M	12M	24M
US	0.25	0.25	0.25	0.25	2.00
Japan	0.50	0.10	0.10	0.10	0.50
Euro area	1.00	1.00	1.00	1.25	2.25
Denmark	1.45	1.25	1.25	1.50	2.50
Sweden	0.25	0.25	0.25	1.75	3.00
Norway	1.25	1.50	1.75	2.25	3.50
UK	0.50	0.50	0.50	0.50	2.50
Switzerland	0.25	0.25	0.25	0.25	1.00
Poland	3.50	3.50	3.50	3.50	4.50
Czech Rep.	1.25	1.25	1.25	1.25	2.25
Hungary	8.50	7.00	6.25	6.00	6.00

Government bond yield forecast

10-year government benchmark yields

	2.9.09	3M	6M	12M	24M
US	3.45	4.00	3.75	4.00	4.75
Japan	1.32	1.50	1.55	1.65	1.80
Euro area	3.24	3.60	3.60	3.75	4.25
Denmark	3.55	3.90	3.85	4.00	4.50
Sweden	3.42	3.70	3.75	3.90	4.40
Norway	4.24	4.40	4.40	4.60	5.10
UK	3.53	3.95	3.95	4.25	4.80
Switzerland	1.97	2.30	2.45	2.60	3.15
Poland	6.08	5.75	5.50	5.25	5.50
Czech Rep.	5.08	4.75	4.50	4.25	4.50
Hungary	8.04	9.00	8.50	8.00	7.50

FX forecast

Exchange rates vs EUR

	2.9.09	3M	6M	12M	24M
EUR/USD	1.427	1.400	1.500	1.400	1.300
EUR/JPY	134.4	140.0	142.5	147.0	150.0
EUR/DKK	7.443	7.460	7.460	7.460	7.460
EUR/SEK	10.144	9.850	9.750	9.400	9.400
EUR/NOK	8.637	8.400	8.300	8.200	7.900
EUR/GBP	0.879	0.850	0.870	0.820	0.800
EUR/CHF	1.519	1.550	1.520	1.570	1.580
EUR/PLN	4.091	3.900	3.900	3.900	3.700
EUR/CZK	25.41	25.00	25.00	25.00	24.00
EUR/HUF	267.7	265.0	270.0	270.0	268.0
EUR/RUB	44.92	46.20	45.75	41.30	36.40
EUR/EEK	15.65	15.65	15.65	15.65	15.65
EUR/LVL	0.702	0.700	0.700	0.700	0.700
EUR/LTL	3.453	3.453	3.453	3.453	3.453
EUR/CNY	9.748	9.590	10.275	9.380	7.930

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