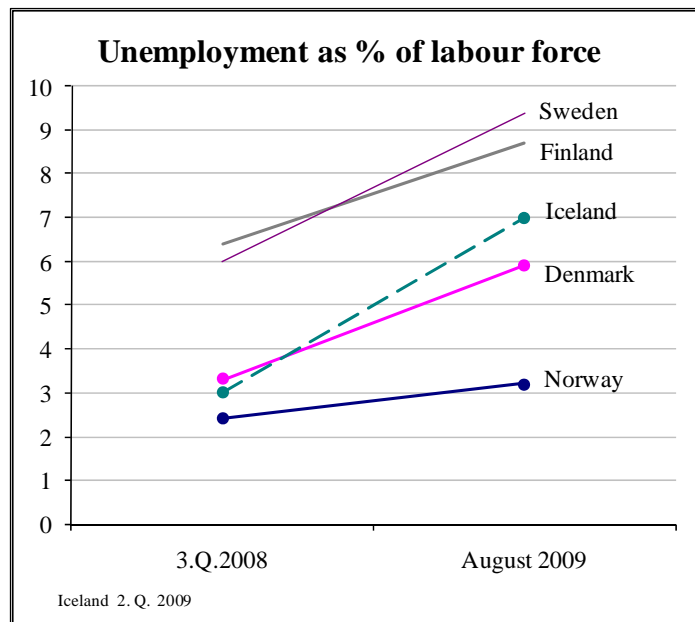


THE NORDICS AT A GLANCE

1. Jobs and unemployment during the financial crisis
2. Growth and economic structure
3. Economic policy
 - 3.1 Interest rate development
 - 3.2 Budgetary measures (fiscal policy)
4. Good balance at the starting point
5. Largest and smallest



November 2009

1. Job and unemployment

The development in unemployment is the most central indicator of the problems which the international finance crisis brings up to date. These figures show how many people who are seeking work without success, based on those methods which are reasonably well comparable between countries. The latest OECD- data in the following table show that the Nordic countries started at different levels for unemployment, and that it has developed somewhat differently as well.

Unemployment as % of labour force

	3. Quarter 2008	August 2009	Change during the period
Norway	2.4	3.2	0.8
Denmark	3.3	5.9	2.6
Sweden	6.0	9.4	3.4
Finland	6.4	8.7	2.3
Iceland	3.0	7.0	4.0
<i>EU (27)</i>	<i>7.0</i>	<i>9.1</i>	<i>2.1</i>

At the beginning of the crisis, all the Nordic countries had lower unemployment rate than that of the EU in total, but the increase has been greater than the EU average both in Denmark, Sweden and in particular Iceland.

The most important explanation is naturally the decline in the number of jobs, here expressed by the number of employed persons. We see that the employment decline has been strongest for Iceland, but also that there is not a fully mechanical connection between job growth and increase of the unemployment rate. The measured unemployment is not rising as much as the employment declines. For Denmark, the difference is not that great, but particularly for Iceland, the job loss is much greater than the measured rise in unemployment. The reason for this is that people abstain from job-seeking when the situation in the labour market is worsened.

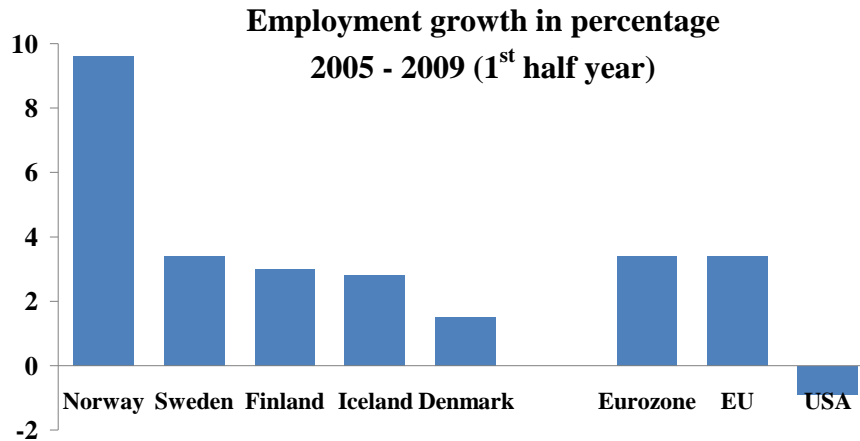
Employed persons

	% Change, 3.q.2008 – 3.q.2009
Norway	-1.5
Denmark ¹⁾	-2.8
Sweden	-2.7
Finland	-3.5
Iceland	-6.7

¹⁾ Denmark: 3.q.2008 – 2.q.2009

Sources: Labour Force Survey from the Statistic Central Bureaus

There were also differences in economic growth up until the financial crisis. This is reflected in different employment growth and thereby the starting point of what happens from the Autumn of 2008 on. The following figure illustrates that the period was relatively favourable internationally, nevertheless that Norway had the strongest employment growth.



Data sources: Eurostat, OECD for USA

All the countries have now experienced a decline in the employment in the construction and manufacturing sector, in somehow different degrees.

Employment: percentage change, 2. quarter 2008 – 2. quarter 2009

	Manufacturing	Construction
Norway	-4.0	-4.0
Denmark	-9.2	-10.5
Sweden	-9.5	-0.4
Finland	-8.4	-7.5

Sources: National Accounts, Statistical Central Bureaus.

2. Growth and economic structure

The development of production is determined by a combination of the economic policy which has been conducted, and the country's economic structure. The employment development is closely related to the pace of economic growth. We see here that relatively good growth rate in most of the countries for the previous three-years period has been replaced by a considerable setback in 2009. The development of this year will become uniquely weak in a historical context. It often takes decades in between each time when an overall production decline is registered.

Economic development: the GDP growth rate

	Projection for 2009	Annual average 2005-08
Norway (mainland)	-1.4	4.6
Denmark	-4.0	1.6
Sweden	-5.5	2.5
Finland	-4.7	3.2
Iceland	-7.0	4.4
<i>Euro zone (EU16)</i>	-4.8	2.0

Sources: OECD Economic Outlook no. 85, June 2009

The overall production decline in most of the countries is at least as strong as for the EU area, with Norway as a clear exception. In all the Nordic countries, the manufacturing industry is dependent on export and thus affected by the international recession. The manufacturing production in Norway is held up by continuous large deliveries to the petroleum sector where the investment level is still high.

Industrial Production – Manufacturing, percentage change

	Jan.-Aug. 08 /Jan.-Aug. 09
Norway	-7.5
Denmark	-16.3
Sweden	-21.6
Finland	-25.7

Sources: Eurostat

Finland and Sweden are marked by having a bigger manufacturing industry than the other countries, with a GDP share of 20 per cent or more. As a consequence, the effect of total employment can be greatest here. However, as being shown in the next chapter, the economic policy also has an important impact.

Manufacturing industry's share of GDP (%)

	Latest figure	Sources:
Norway (mainland)	13.8	2008 <i>Statistics Norway</i>
Denmark	15.0	2007 <i>Statistics Finland</i>
Sweden	20.0	2007 <i>Statistics Finland</i>
Finland	23.6	2007 <i>Statistics Finland</i>
Iceland	11.4	2006 <i>Statistics Finland</i>
<i>Average Nordics¹⁾</i>	18.2	GDP in PPP weighted, (Norway: Mainland Norway)
<i>EU (27)</i>	17.1	2006 <i>Statistics Finland</i>
<i>EU (15)</i>	16.8	2006 <i>Statistics Finland</i>

3. Economic policy

As mentioned in the previous chapter, the development will depend on the economic structure, as well as on what kind of economic policy measures enforced by governments. In most countries, the effects of the financial crisis are being met by a combination of monetary and fiscal mechanisms.

In addition to the monetary measures, the financial markets have been influenced by the government actions aimed at different sides of the banks' situation. Here, the actual policy measures have differed a lot between countries.

3.1 Interest Rate Development

When it comes to monetary policy, the changes in interest rates have been an important counter measure against stagnant economic activity. Central banks' interest rates have been reduced in order to stimulate the consumption demand and strengthen the investment opportunities of enterprises. The following table shows the tendency in each country.

Interest rate development (Central Bank's interest rate on deposit, %)

	Norway	Sweden	Finland (and Denmark)*	Iceland
Top level in 2008	4.50	4.50	3.25	6.00
Level in November 2009	1.50	0.25	1.00	12.00

* About the same development, with some extra risk premium on top of the Danish krone.

The effect of interest rate changes will vary depending on the debt situation of the enterprises and households, but also on to which degree the interest rates are adjusted to short- term and long- term contracts. Norway is an example of a country which has a large amount of short-term regulated interest rates towards the enterprises and households, where the monetary policy gets a relatively strong effect on the total demand.

The total effect of the monetary policy is also determined by the development of the exchange rates. Here, the Danish and Finish industries have had a considerable negative impulse from the Euro's (and Danish krone's) appreciation.

3.2 Budgetary measures (Fiscal policy)

The state can stimulate the domestic demand and activity by making the government budget more expansive, in other words by expanding the balance between incomes and expenses. This is done either through reducing income (usually taxes) and/or increasing the expenditure. The importance of such measures with effects for 2009 is estimated in the following table.

Estimated fiscal policies' demand stimulus (calculated as % of GDP)

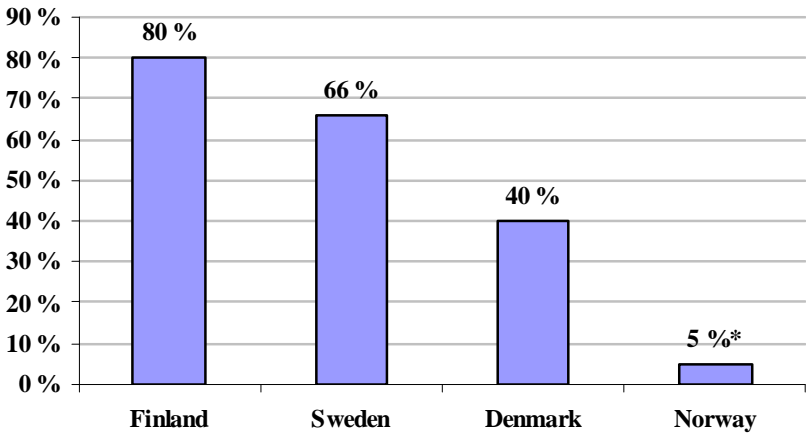
Euro zone	1.1
EU-27	1.5
Denmark	1.8
Finland	2.0
Sweden	2.2
Norway	3.0

Sources: the Revised National Budget, Mai 2009, Ministry of Finance

As we see here, the budgetary measures (excluding for instance automatic changes in tax revenue and unemployment benefits) in the Nordic countries are above the EU average. It is not only the extent of the budget change that has an impact, but also it's composite. As a main rule, public spending will have a greater effect than tax cuts, since the import share of the extra purchase being made is low. One billion in changed budgetary balance will then have a huge effect on the employment. The private consumption has typically a big share of imported goods, and thus some of the employment effect will take place abroad.

In this way, the design of fiscal stimulus becomes important, where the main alternatives are tax reductions or expenditure increases. Figures from a European study indicate here clear differences.

The share of tax cuts in the fiscal stimulus packages for 2009 and 2010



*) Norway, estimated effect by the Revised National Budget 2009.

Sources: "A quantum of solace? An assessment of fiscal stimulus packages by EU Member State in response to the economic crisis" Andrew Watt, Working Paper 2009.05, European trade union institute.

Among the Nordic countries, Norway had not only the most comprehensive budgetary adjustments, but also the least portion of tax cuts. This can be an instrumental explanation of why Norway has maintained job growth in the public sector, and through that Norway has had a lower increase in the unemployment.

Employment: percentage change, 2.Q. 2008 – 2.Q.2009

	Public sector
Norway	2.5
Denmark	2.3
Sweden	-1.9

Sources: National Accounts, Statistical Central Bureaus.

4. Good balance at the starting point

There is a tendency towards explaining Norway's favourable development through the financial crisis with the country's large oil incomes. It is apparent that the oil income has given the country a special starting point. However, it can not be used as a complete explanation of the differences in the fiscal stimulus packages in the Nordic countries.

All the four "large" Nordic countries are characterized by a considerable greater economic solidity than the rest of Europe. This can be attributed to several years with solid surpluses in the fiscal balances. This makes up the state's debt situation and financial strength.

Fiscal balance: the general government financial surplus (+) or deficit (-) as a per cent of GDP		
	Projection 2009	Annual average 2005-08
Norway	8.6	17.5
Denmark	-2.4	4.5
Sweden	-3.3	2.7
Finland	-1.5	4.0
Iceland	-10.7	0.6
<u>Average Nordics *)</u>	0.4	7.3
<i>Memo:</i>		
Euro zone (EU16)	-5.6	-1.6

Source: OECD Economic Outlook no.85. * GDP weighted

The foreign debt situation can be another restriction on the country's economic room for manoeuvre. Here, the Nordic countries also stand out with greater solidity than what is common in Europe and not to mention the United States.

One has over several years had surpluses in the current account and thereby reduced the country's total foreign debt.

Current account: balance as a percentage of GDP		
	Projection 2009	Annual average 2005-08
Norway	18.2	16.9
Denmark	1.5	2.5
Sweden	7.4	8.1
Finland	0.4	3.4
Iceland	-3.0	-22.7
<u>Average Nordics *)</u>	7.8	8.2
<i>Memo:</i>		
Euro zone (EU16)	-1.1	0.3

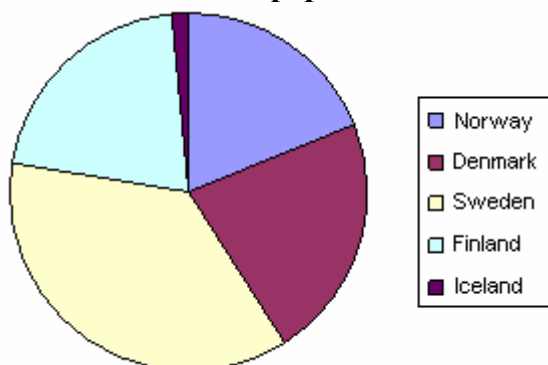
Source: OECD Economic Outlook no.85. * GDP weighted

5. Largest and smallest

When considering the Nordic countries as an economic entity, it is necessary to determine how much of the total each individual country represents. There are several ways to measure this. We can use different scales to arrive at an average.

One approach is to use the population of each country. We then get the following breakdown (at the last turn of the year, according to Eurostat and the national statistic bureaus):

The share of the total population in the Nordic countries



We see that Sweden amounts to over a third and is almost double the size of the other countries, except for Iceland which amounts to a bit more than one per cent of the total of the five countries.

By looking at the size of the labour market, we see a pretty similar distribution. In other words, the distribution is similar when we count the employed persons in each country and add them up. We also get approximately the same picture if we look at the size of production. Here, there will be some difference, depending on whether we include the Norwegian petroleum production or not. If it is included, the Norwegian share changes from 21 per cent to 27 per cent on the expense of the other countries.

The reasons to exclude the oil in this regard are:

- The value varies a lot and is thought to decrease over time
- In the short run, employment and other parts of the economy is not directly affected by the changes in the oil production value.

The following table sums up the different methods of weighting these countries.

Shares in all Nordic countries, 2008

	Population	Employment	GDP Excl. Norwegian petroleum production	GDP Incl. Norwegian petroleum production
Norway	19.0	20.3	21.2	27.2
Denmark	21.8	22.4	21.1	19.5
Sweden	36.7	36.1	36.4	33.6
Finland	21.1	19.8	20.0	18.5
Iceland	1.3	1.3	1.2	1.1
Nordic Countries	100	100	100	100

Statistical Annex:

Employment by industry/sector

1. Denmark

Source: National Accounts, Statistics Denmark

	Employment Growth: percentage change from previous year						
	2005	2006	2007	2008	Average 2005-2008	1.Q.08- 1.Q.09	2.Q.08- 2.Q.09
All	1.0	2.0	2.7	0.9	1.6	-1.9	-2.6
Manufacturing	-2.3	-0.1	1.7	1.6	0.2	-6.5	-9.2
Construction	7.1	5.9	5.0	-1.2	4.2	-9.0	-10.5
Public sector	0.3	0.2	-0.4	-0.4	-0.1	1.4	2.3

	Percentage share of the total employment						
	2005	2006	2007	2008	Average 2005-2008	1.Q. 2009	2.Q. 2009
Manufacturing	14.1	13.8	13.7	13.8	13.8	13.3	12.9
Construction	6.3	6.5	6.6	6.5	6.5	6.1	6.0
Public sector	30.5	29.9	29.0	28.7	29.5	29.8	30.1

2. Norway

Source: National Accounts, Statistics Norway

	Employment Growth: percentage change from previous year						
	2005	2006	2007	2008	Average 2005-2008	1.Q.08- 1.Q.09	2.Q.08- 2.Q.09
All	1.2	3.6	4.1	3.1	3.0	0.6	-0.1
Manufacturing	0.1	5.0	5.0	2.5	3.1	-2.3	-4.0
Construction	4.8	8.3	10.0	2.1	6.3	-2.8	-4.0
Public sector	0.2	2.4	2.3	2.4	1.8	2.4	2.5

	Percentage share of the total employment						
	2005	2006	2007	2008	Average 2005-2008	1.Q. 2009	2.Q. 2009
Manufacturing	11.2	11.4	11.5	11.4	11.4	11.1	11.0
Construction	6.6	6.9	7.3	7.2	7.0	7.0	7.0
Public sector	30.0	29.6	29.1	28.9	29.4	29.5	29.5

3. Sweden

Source: National Accounts, Statistics Sweden

	Employment Growth: percentage change from previous year						
	2005	2006	2007	2008	Average 2005-2008	1.Q.08- 1.Q.09	2.Q.08- 2.Q.09
All	0.3	1.7	2.2	0.9	1.3	-1.2	-2.2
Manufacturing	-1.1	-0.8	0.5	-0.5	-0.5	-5.2	-9.5
Construction	3.2	6.5	5.7	5.2	5.1	-1.8	-0.4
Public sector	-0.3	1.1	0.0	-1.7	-0.2	-2.0	-1.9

	Percentage share of the total employment						
	2005	2006	2007	2008	Average 2005-2008	1.Q. 2009	2.Q. 2009
Manufacturing	16.5	16.1	15.8	15.6	16.0	15.3	14.8
Construction	5.5	5.8	6.0	6.2	5.9	5.7	6.8
Public sector	30.7	30.5	29.9	29.1	30.1	29.7	29.5

4. Finland

Source: National Accounts, Statistics Finland

Employment Growth: percentage change from previous year							
	2005	2006	2007	2008	Average 2005-2008	1.Q.08- 1.Q.09	2.Q.08- 2.Q.09
All	1.3	1.8	2.2	1.6	1.7	-0.1	-1.5
Manufacturing	0.2	0.8	0.5	-0.9	0.2	-5.2	-8.4
Construction	4.6	4.1	7.3	3.9	5.0	-1.4	-7.5
Public sector	NA	NA	NA	NA	NA	NA	NA

Percentage share of the total employment							
	2005	2006	2007	2008	Average 2005-2008	1.Q. 2009	2.Q. 2009
Manufacturing	18.0	17.9	17.6	17.2	17.7	16.6	16.3
Construction	6.6	6.9	7.0	7.4	7.0	7.0	7.3
Public sector	NA	NA	NA	NA	NA	NA	NA

Foreign Trade

Norway	2008	<i>Source: Statistics Norway</i>		
<i>Bill. NOK</i>		Import	Export	Total Foreign Trade
Denmark		34.2	31.6	65.9
Sweden		70.9	59.9	130.8
Finland		16.8	13.5	30.3
Iceland		1.3	3.3	4.6
<i>Nordic in total</i>		123.2	108.3	231.5
<i>Foreign trade in total</i>		497.4	957.8	1455.2
<i>Nordic share (%)</i>		24.8	11.3	15.9

Denmark	2008	<i>Source: Statistics Denmark</i>		
<i>Bill. DKK</i>		Import	Export	Total Foreign Trade
Finland		12.4	13.9	26.2
Iceland		0.9	2.5	3.5
Norway		26.4	34.4	60.8
Sweden		77.9	82.7	160.6
<i>Nordic in total</i>		117.7	133.4	251.1
<i>Foreign trade in total</i>		556.7	584.6	1141.3
<i>Nordic share (%)</i>		21.1	22.8	22.0

Sweden	2008	<i>Source: Statistics Sweden</i>		
<i>Bill. SEK</i>		Import	Export	Total Foreign Trade
Finland		62.4	75.8	138.2
Iceland		0.3	4.0	4.3
Norway		97.2	113.5	210.6
Denmark		102.7	88.3	191.0
<i>Nordic in total</i>		262.5	281.6	544.1
<i>Foreign trade in total</i>		1088.8	1194.6	2283.4
<i>Nordic share (%)</i>		24.1	23.6	23.8

Finland	2008	<i>Source: Statistics Finland</i>		
<i>Mill. Euro</i>		Import	Export	Total Foreign Trade
Sweden		6302.7	6592.9	12895.6
Iceland		12.1	43.4	55.6
Norway		1676.8	1970.0	3646.8
Denmark		1455.1	1374.5	2829.6
<i>Nordic in total</i>		9446.7	9980.8	19427.5
<i>Foreign trade in total</i>		62402.4	65580.2	127982.6
<i>Nordic share (%)</i>		15.1	15.2	15.2

Iceland	2008	<i>Source: Statistics Iceland</i>		
<i>Bill. ISK</i>		Import	Export	Total Foreign Trade
Finland		5.6	1.0	6.6
Sweden		46.3	3.9	50.2
Norway		57.6	20.3	78.0
Denmark		37.7	14.6	52.3
<i>Nordic in total</i>		147.2	39.9	187.1
<i>Foreign trade in total</i>		514.7	466.9	981.6
<i>Nordic share (%)</i>		28.6	8.5	19.1