

Swedbank Economic Outlook

April 6, 2017

Content

- Global highlights 3
- Sweden 12
- Advanced Economies 28
- Emerging markets 38
- FX & Fixed Income 44
- Nordics 51
- Baltics 57
- Forecast tables 64

Global highlights

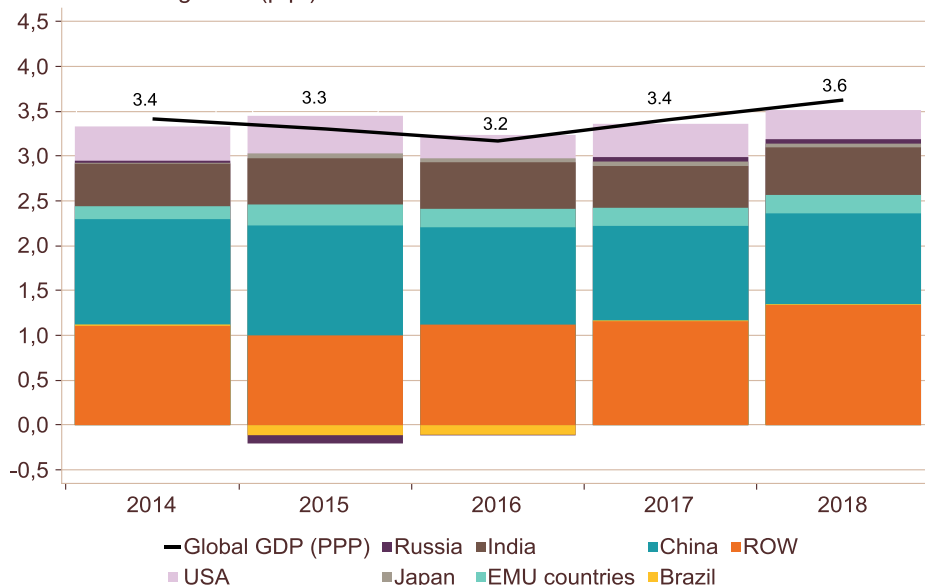
- **Global:** Signs of a considerable cyclical upturn in advanced economies. Inflation pressure increases, but remains low in many regions. Political risks remain although they have decreased somewhat.
- **Sweden:** Growth broadens as an upswing in exports is paired with the strong domestic economy. Demographic change continues to drive the development. The labour market is strong but modest wage increases slow down the rise in inflation. Public finances are solid but structural reforms neglected.
- **Norway:** Growth accelerates at the same time as the downswing in the oil sector dampens. We estimate that oil price continues to rise which lends support. The overheated housing market is a risk, but given that housing prices stay stable we expect that Norges Bank raises its policy rate in the second half of next year.
- **Baltics:** The business cycle in the Baltic economies strengthened towards the end of last year, driven primarily by household consumption and exports. There is a risk that the rising wages erode competitiveness, but we expect the strong global cycle to support exports.
- **Markets:** A tentative interest rate upswing has begun as central banks slowly retreat

Global: Growth recovery resumes

Emerging markets contribute most to global growth, but advanced economies pick up too

Global: Growth bottoming out in 2016

Contribution to growth (p.p.)



Source: Swedbank Research & Macrobond

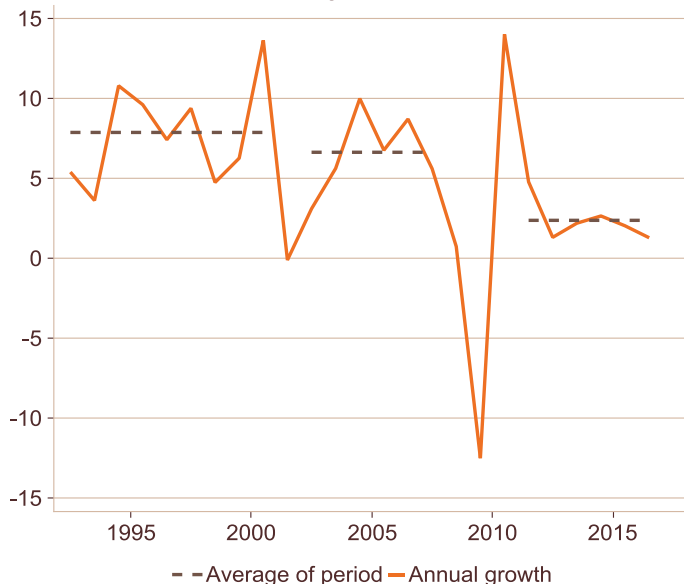
- Advanced economies currently growing faster than emerging markets but we expect the latter to grow faster ahead
- Growth in emerging markets supported by raw materials and reforms
- Advanced economies' business cycle suggest a pick up in the recovery
- Risks mainly political and geopolitical

After years of sluggish growth, global trade is finally picking up

But the recovery could easily be reversed by protectionist trade policies and/ or unfavourable outcomes from EU-UK negotiations

Global trade growth has been slow since 2012

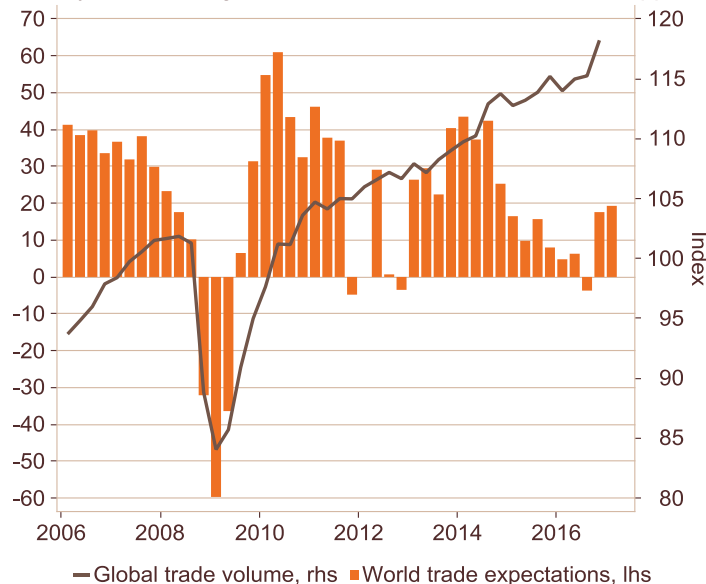
Global trade volume, annual growth %



Source: Swedbank Research & Macrobond

But trade is recovering now... More to come

Survey-based foreign trade volume in the next 6 months, pp



Source: Swedbank Research & Macrobond

Risk factors

Political uncertainty continues to impact the markets



Security policy increasingly in focus








Global energy markets in transformation



Risks remain equally balanced

Low probability, high impact events dominate downside. Upside is more likely, but lower impact

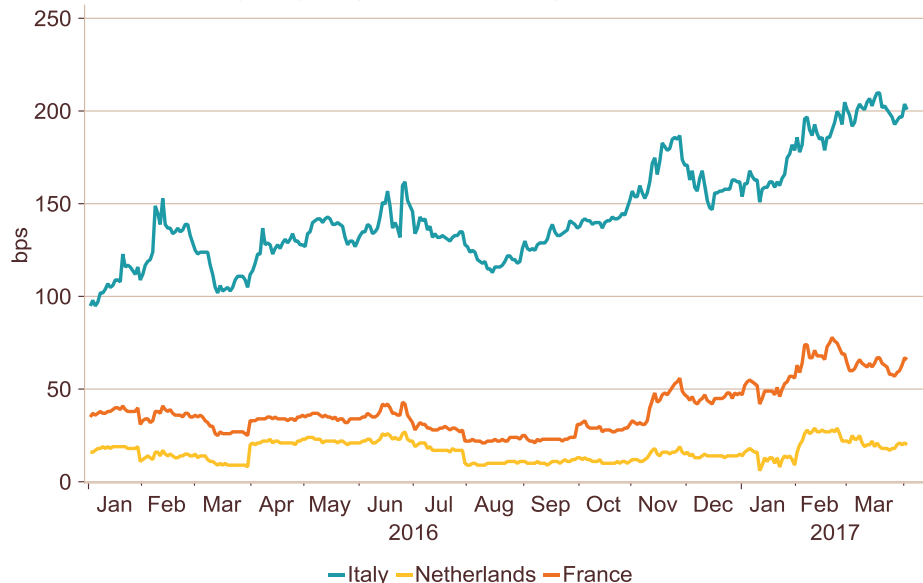
-  1. Europe has dodged the Dutch populist bullet, but we still have French presidential elections this spring and, more worryingly, Italian parliament elections are likely next spring (or sooner). Both countries have populist politicians with potential to shake the foundations of the EU and EMU.
-  2. Protectionist initiatives in the US seem to be on hold for now, but it could be a low probability high impact event, with potential to severely disrupt global trade flows. Unconventionality and unpredictability will remain driving forces of the new Administration, none of which bodes well for the US and the world.
-  3. China's imbalances are not gone, although unlikely to implode this year, before the National Congress. Like the other two, it is a low probability, high impact risk.
-  4. The financial markets are sensitive to downside risks
-  5. Recent business and consumer surveys have been unexpectedly upbeat. Although some of the optimism may rest on the shaky and unrealistic promises made by politicians, if the positive mood persists it can become self-fulfilling, boost investments, employment, wage growth and consumption. For now we discount some of the optimism as temporary, but we may be proven wrong.

Netherlands: The traditional parties “won” the election

A clear shift at the late stages of the election campaign to the benefit of the traditional parties

The Dutch election result was calming for the markets

Spread over Germany, 10 year government bond yield



Source: Swedbank Research & Macrobond

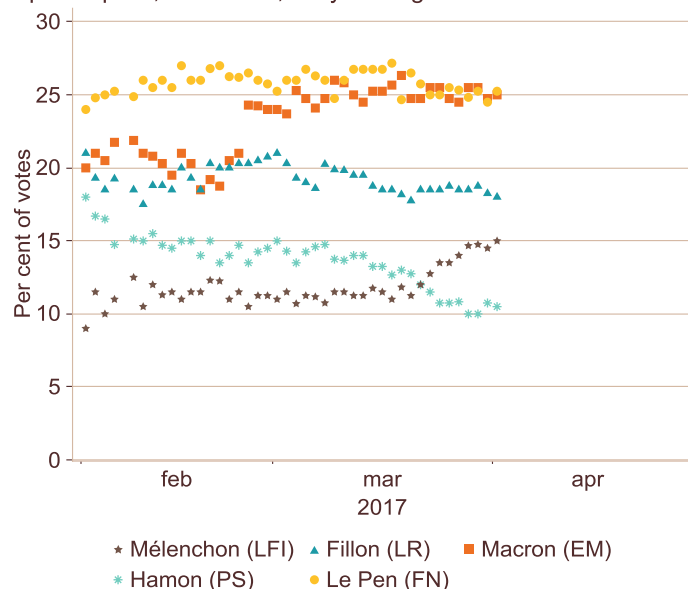
- Geert Wilders' Party for Freedom gained much less than expected, 13 % of the votes against a high of 21 % in earlier polls
- Prime minister Mark Rutte's Liberals performed well on the homestretch
- Dutch voters voted for security, stability, sustainability and the EU
- Government formation will be tricky

French presidential election the major event risk this spring

Markets pricing a benign outcome in line with polls, but too early to rule out Le Pen upset

Macron and Le Pen to second round, polls say

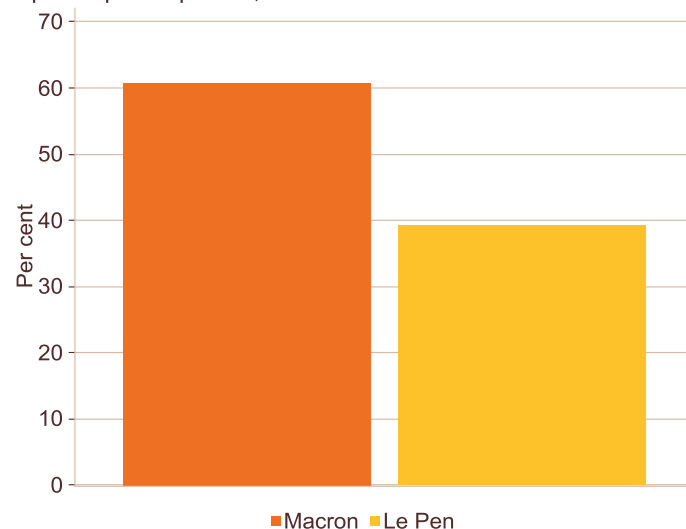
Opinion polls, first round, daily averages



Source: Swedbank Research & Macrobond

"Republican front" looks likely to hold

Opinion polls April 4th, second round

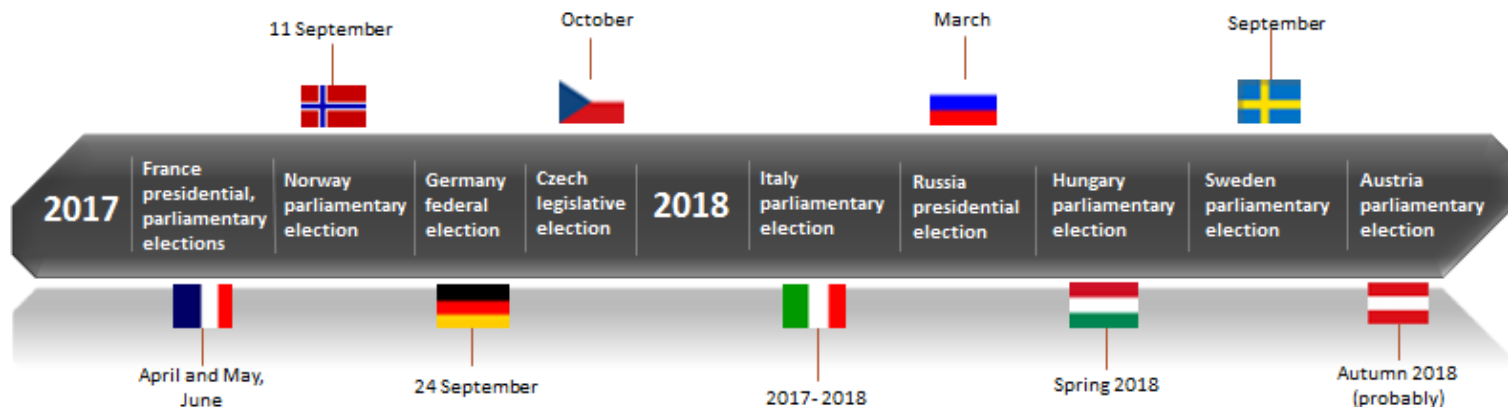


Note: the "Republican front" refers to the other parties and their voters cooperating to prevent FN from gaining influence.

Source: Swedbank Research & Macrobond

Political risks at the core of our negative scenarios

Biggest risks related to the presidential election in France and the likely snap election in Italy

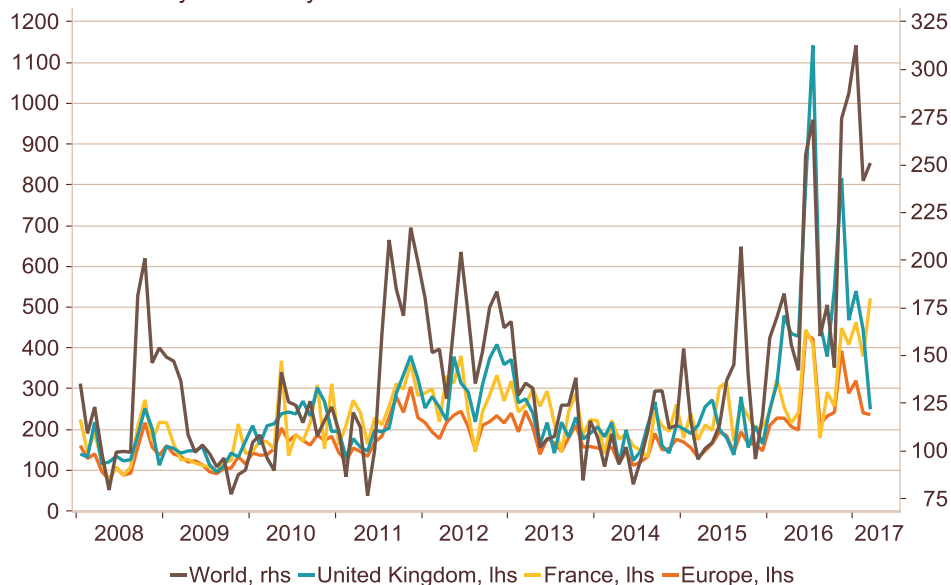


Political uncertainty remains high, but gets less attention

Economic performance surprises on the upside despite uncertainties

Economic policy uncertainty has declined in Europe

Economic Policy uncertainty Index



- Favourable election outcomes likely, though upsets cannot be ruled out
- Protectionism a cause of uncertainty and risk
- Many Brexit questions still outstanding
- Lost momentum and a stalled reform agenda in wake of populism and disintegration

Source: Swedbank Research, Economic Policy Uncertainty & Macrobond

Note: The index is based on the number of articles mentioning economic policy uncertainty in major newspapers in respective country

Sweden – Growth broadens but monetary stimulus continues

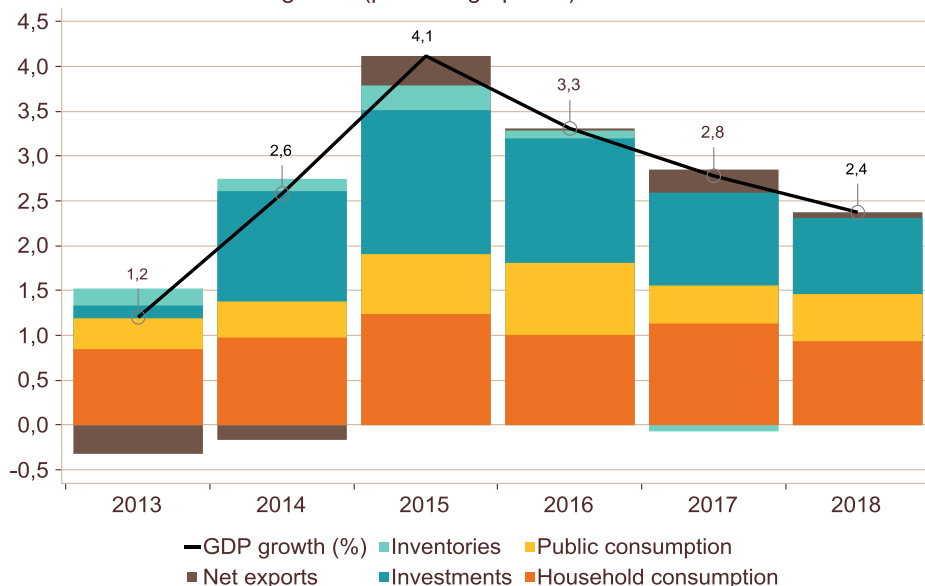
- Growth broadens in the Swedish economy as exports benefit from weak SEK and stronger growth in the most important export markets. Strong growth continues for the domestic economy and investments, driven by population growth and demography.
- Employment grows strongly but unemployment remains elevated as refugees enter the labour market. Wage growth remains slow despite signs of increasing labour shortages.
- The increase in inflation is slow. Low wage increases imply that it will take a long time until inflation stabilises around the target.
- Strong public finances due to surprisingly strong growth, but structural reforms are necessary.
- Slow inflation and a dovish ECB imply a very slow retreat from monetary policy. The first rate hike will be put off until the spring of 2018.
- Fundamental factors suggest SEK strengthening but we forecast slow appreciation as the Riksbank is expected to fight those developments.

Sweden: Strong growth gradually slowing down

Growth broadens but domestic demand remains the main driver of economic activity in Sweden

Slower growth but still buoyant

Sweden: Contribution to growth (percentage points)



Source: Swedbank Research & Macrobond

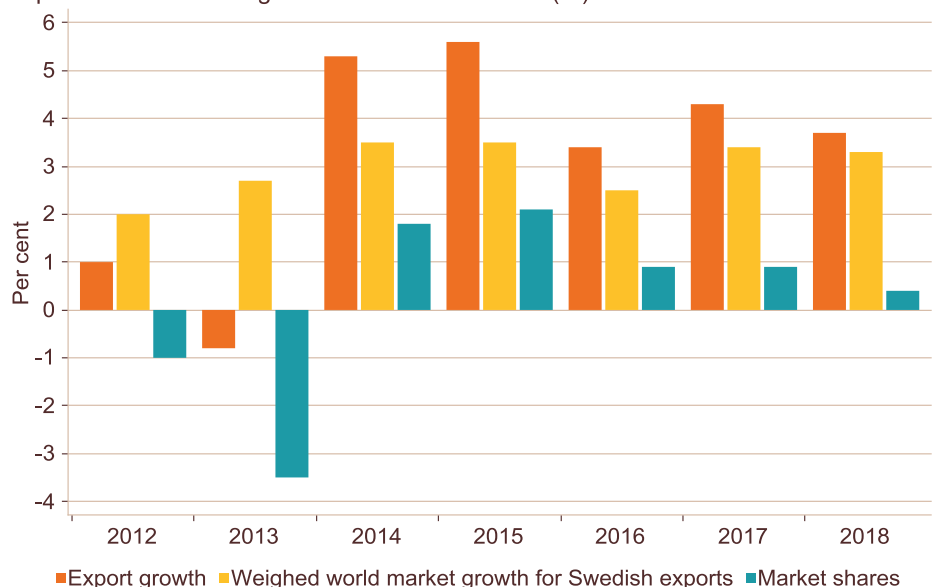
- Households provide the bulk of growth, either through consumption or through housing investments
- Boom in public spending slows with decrease in migration
- Exports are picking up but growing imports counterbalance

Advantageous demand composition benefits Sweden

Demand for investment goods and for raw materials lend support to exporters

Swedish exports gain market shares

Export & world market growth and market shares (%)



Source: Swedbank Research & Macrobond

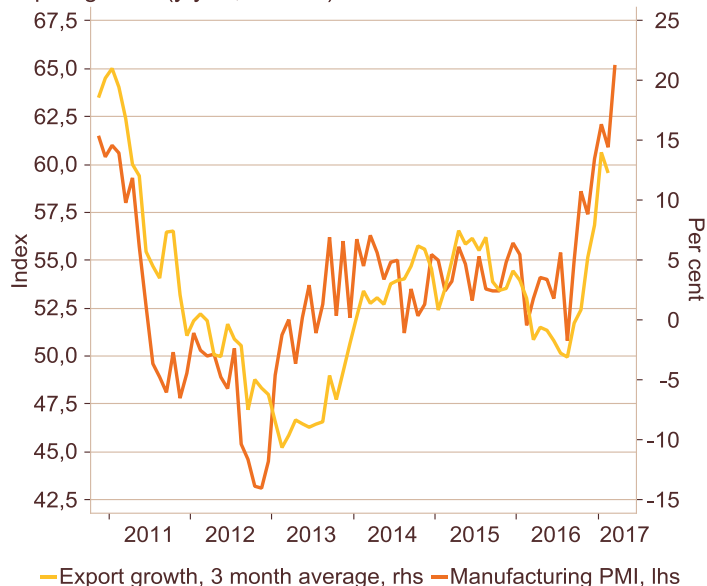
- Stronger global investment cycle
- Increased demand for raw materials and intermediate goods
- Advantageous competitiveness via moderate wage growth and modest SEK appreciation
- Geopolitical risks also cause uncertainty

The growth in exports broadens

A stronger global economy supports Swedish exports

Exports supported by stronger demand

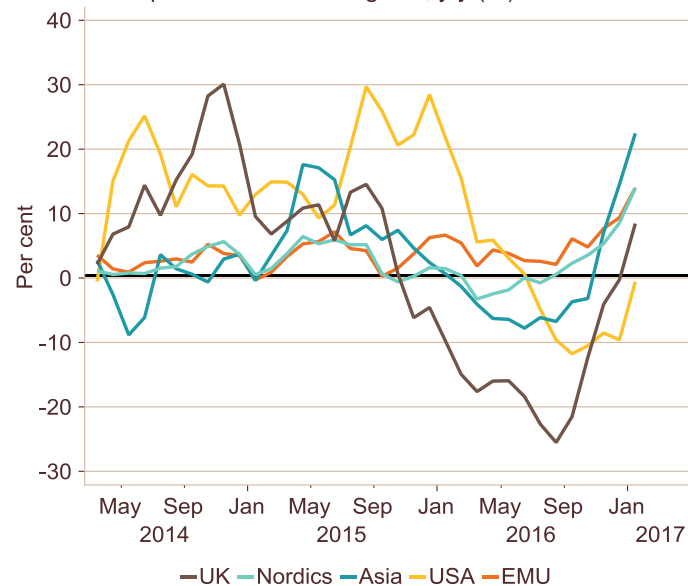
Export growth (y/y %, 3m MA) and Swedbank/Silf PMI



Source: Swedbank Research & Macrobond

Broad-based growth in Swedish exports

Growth in exports to different regions, y/y (%)



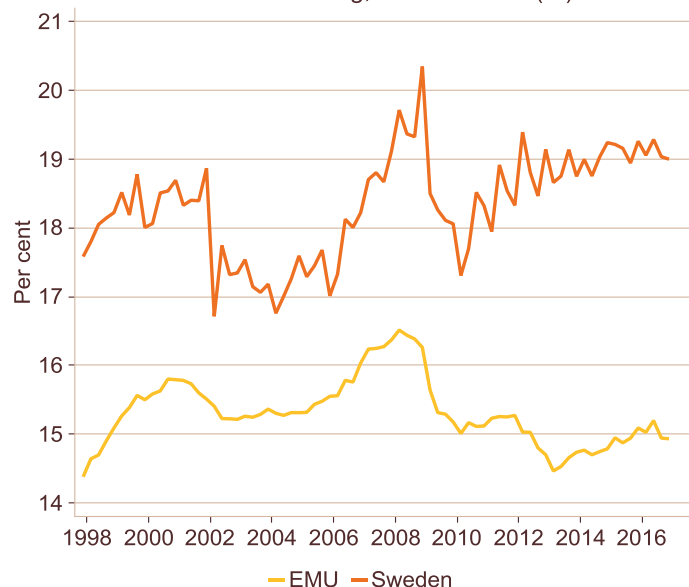
Source: Swedbank Research & Macrobond

Investment growth moderates from high levels

Investment levels are high in Sweden, due to strong domestic demand and low interest rates

Businesses invest more in Sweden than in EMU

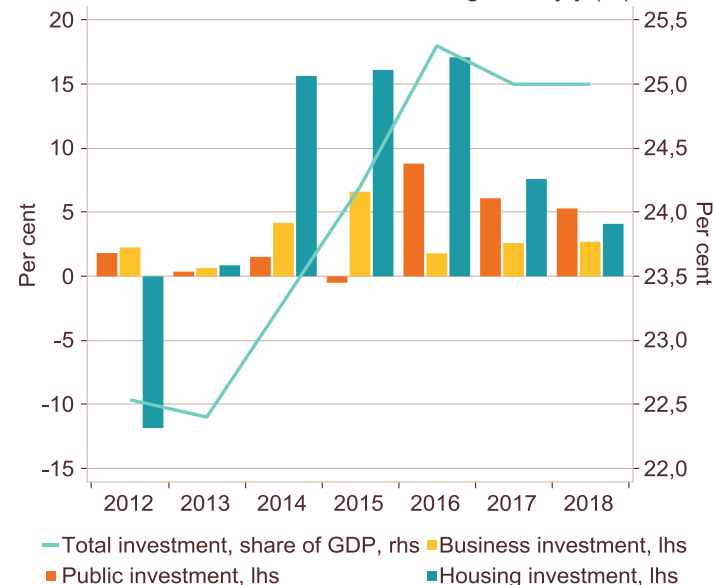
Business investment ex housing, share of GDP (%)



Source: Swedbank Research & Macrobond

Broad-based growth in investment

Investments' share of GDP & investment growth, y/y (%)



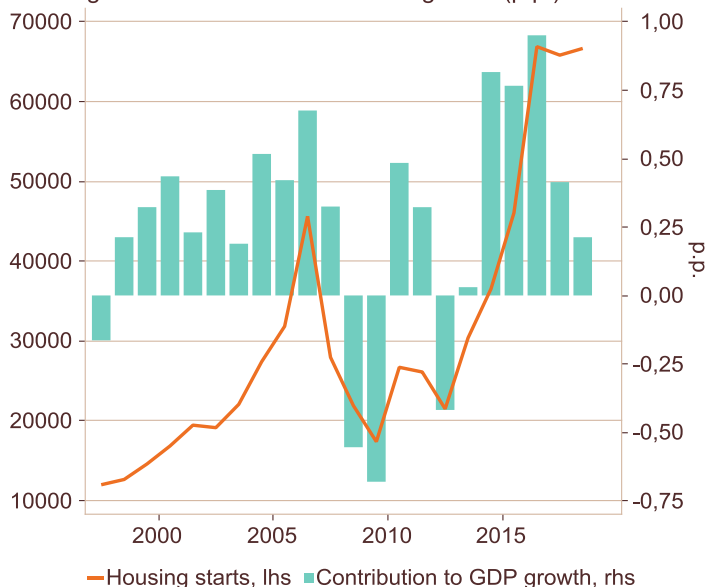
Source: Swedbank Research & Macrobond

Housing construction continues at high pace

Shortages of labour and of land approved for construction are growing challenges

Construction still a growth driver

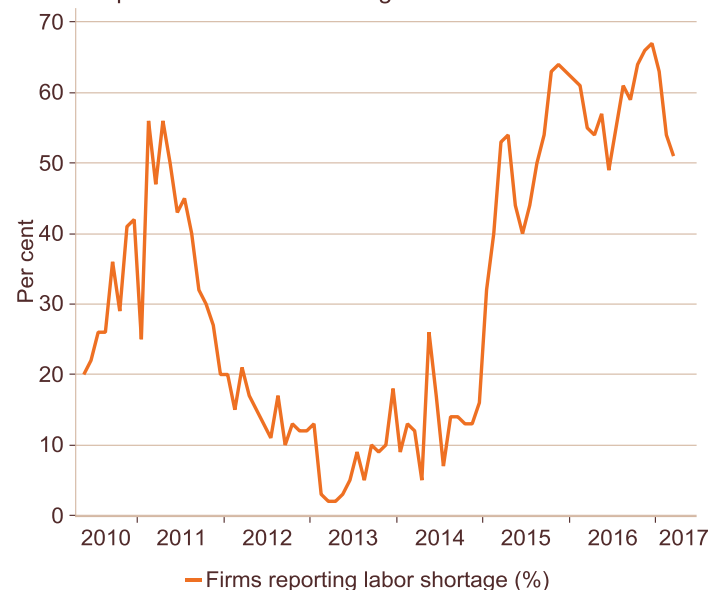
Housing starts & contribution to GDP growth (p.p.)



Source: Swedbank Research & Macrobond

Uncomfortably high labor shortage

% of companies with labor shortage



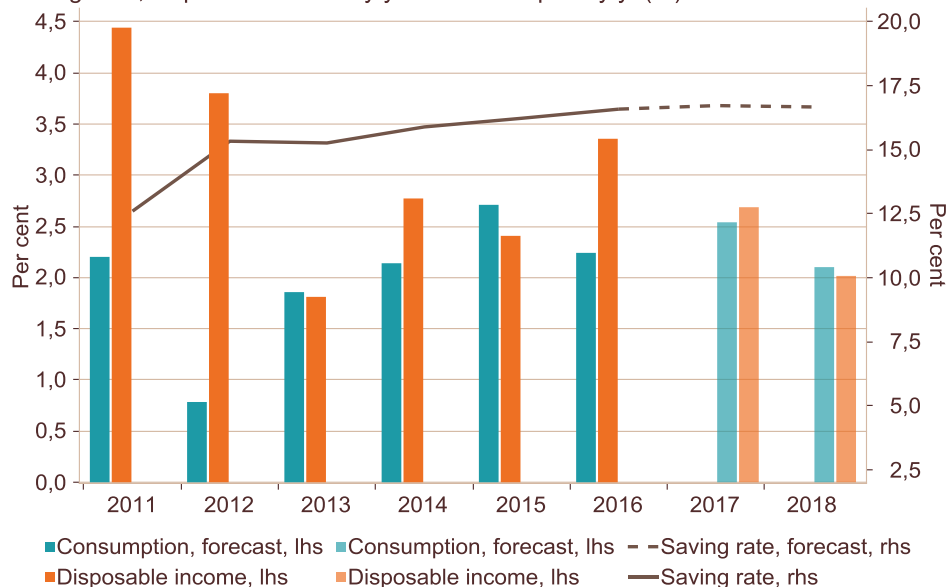
Source: Swedbank Research & Macrobond

Household consumption still going strong

Solid consumption but high saving maintained

Households remain cautious consumers

Saving ratio, disposable income y/y and consumption y/y (%)



Source: Swedbank Research & Macrobond

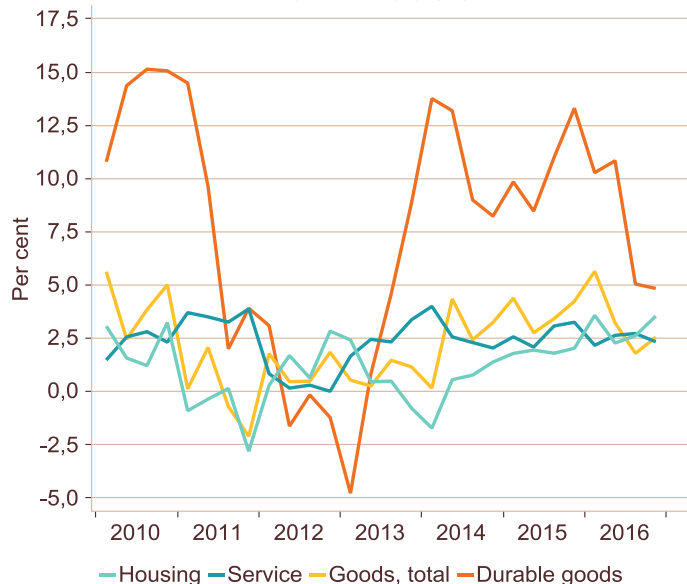
- Rising incomes due to a strong labour market
- Fiscal policy benefits groups with high propensity to consume
- Consumer confidence declines while demographic factors cause persistently high saving

Consumption cycle matures

Consumption dampens due to lower consumer confidence and fiscal policy effects

Saturation and interest rates weaken durables

Household consumption by sector, y/y (%)



Source: Swedbank Research & Macrobond

Housing and necessities important driving forces

Household consumption indicator, y/y (%), 3m MA



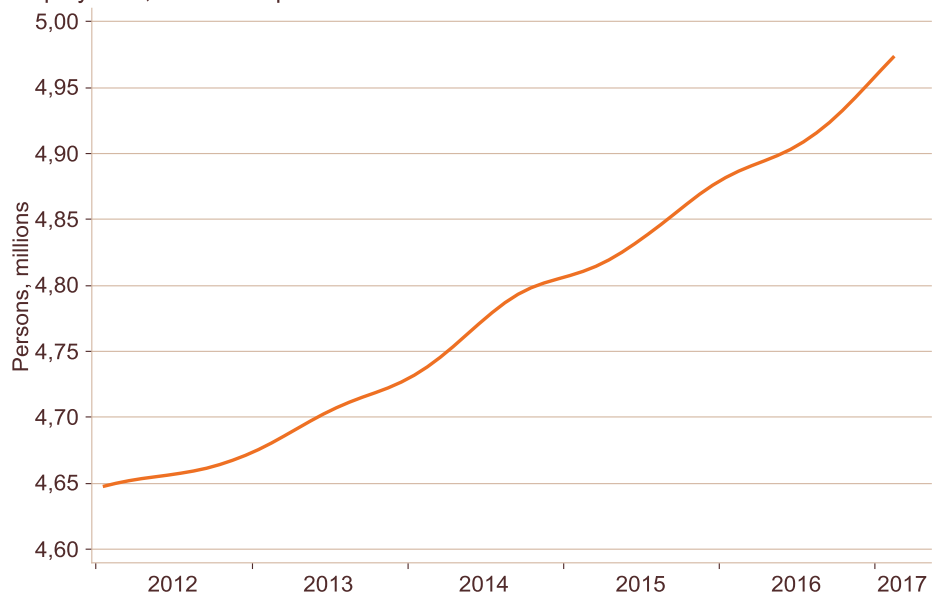
Source: Swedbank Research & Macrobond

Labour market strength continues to impress

Positive hiring plans indicate continued strong development during the rest of the year

Employment has surprised on the upside

Employment, millions of persons



Source: Swedbank Research & Macrobond

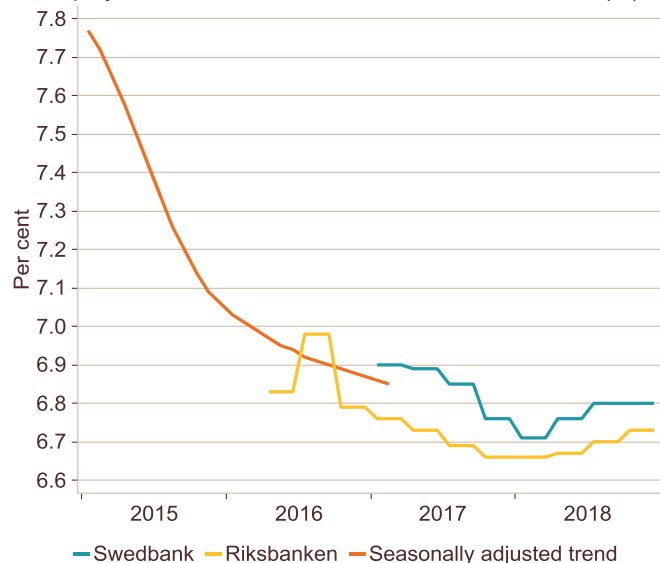
- Employment is surprisingly positive but growth declines and data could overestimate the strength
- The labour force increases as well
- Unemployment falls to a low of 6.7 per cent and then increases somewhat as labour force growth becomes greater than employment growth

Unemployment will bottom out fairly soon

Record low unemployment in core groups, but signs of increased labour market polarisation

Unemployment will pick up in 2018

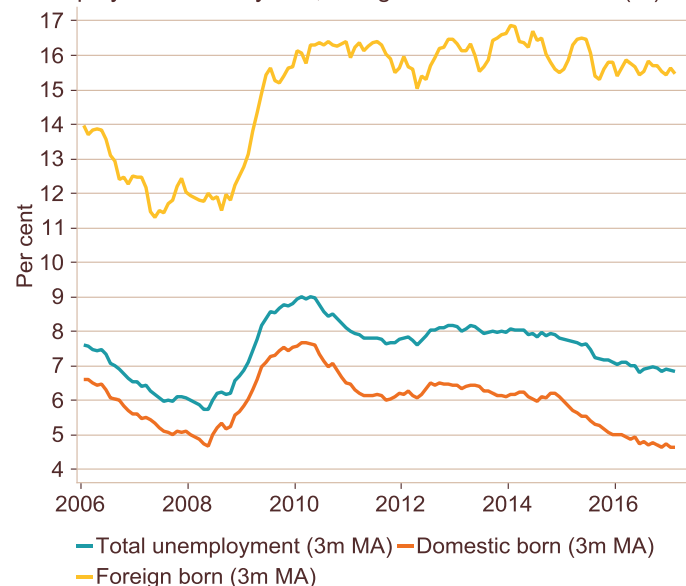
Unemployment and forecasts, Swedbank & Riksbanken (%)



Source: Swedbank Research & Macrobond

Increased polarisation of the labour market

Unemployment 15-74 years, foreign and domestic born (%)



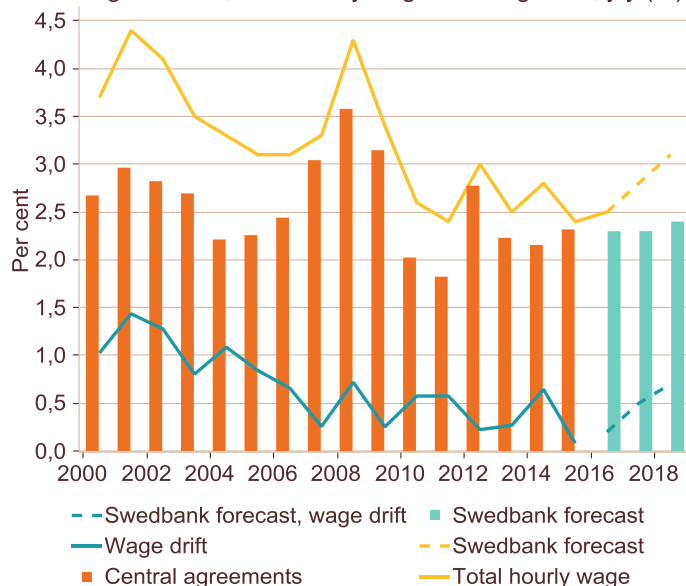
Source: Swedbank Research & Macrobond

Sluggish wage growth worries the Riksbank

The new central agreements are lower than expected, but wage drift is slowly increasing

Many signals for gradually higher wage growth

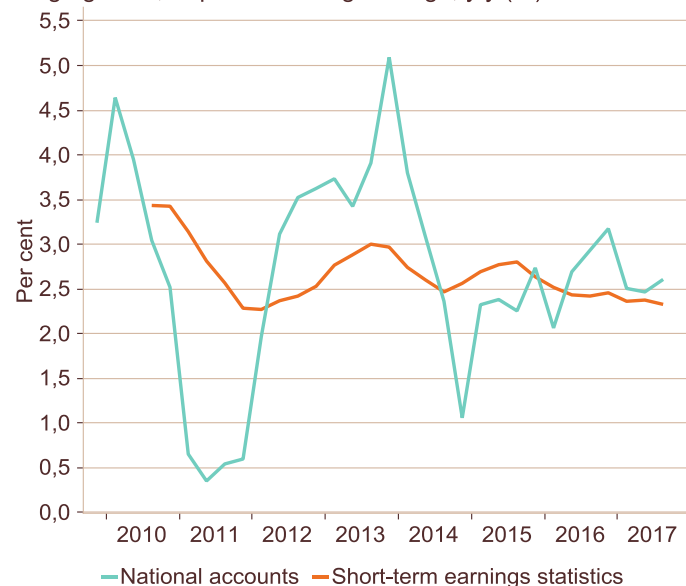
Central agreements, total hourly wage and wage drift, y/y (%)



Source: Swedbank Research & NIER

Similar pace of wage increases in 2016 as in 2015

Wage growth, 4 quarters rolling average, y/y (%)



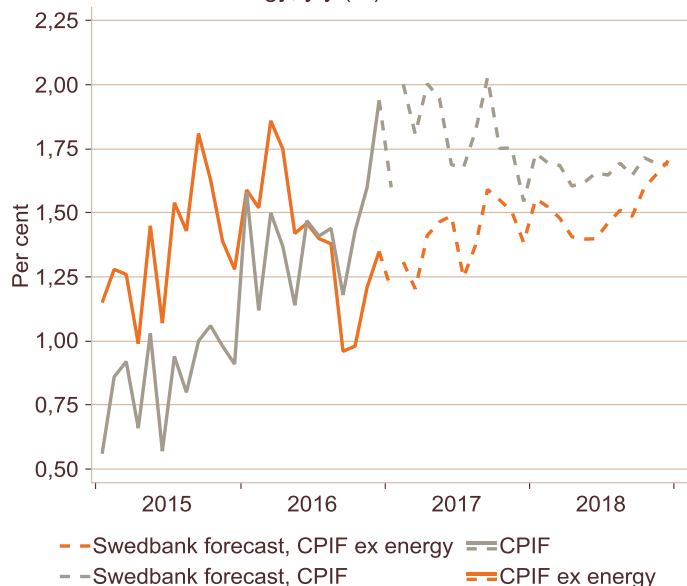
Source: Swedbank Research & NIER

CPIF ex energy increases faster in 2018

Increased resource utilisation boosts domestic price pressure

Underlying inflation on the rise

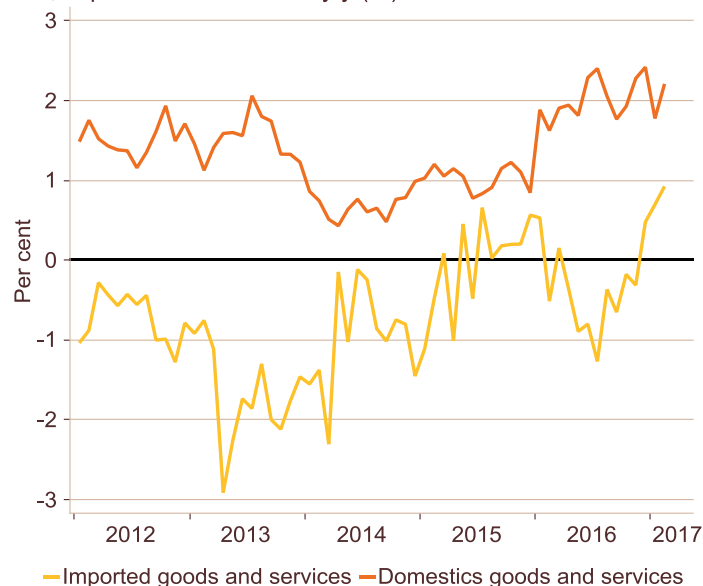
CPIF and CPIF ex energy, y/y (%)



Source: Swedbank Research & Macrobond

Increased domestic price pressure

CPI, imported and domestic y/y (%)



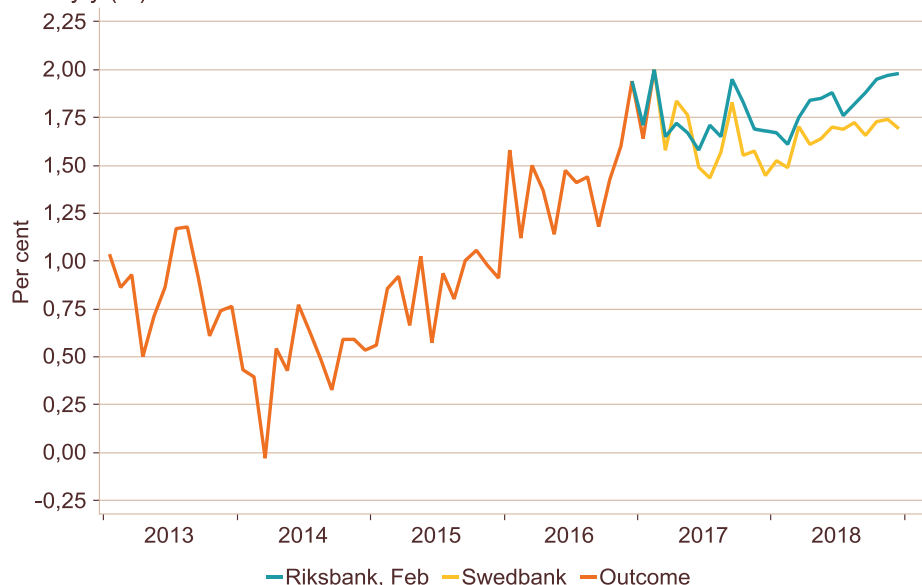
Source: Swedbank Research & Macrobond

Inflation rises, but does not reach the target

Subdued wage increases limit the rise in inflation in coming years

Volatile but rising inflation

CPIF y/y (%)



Source: Swedbank Research & Macrobond

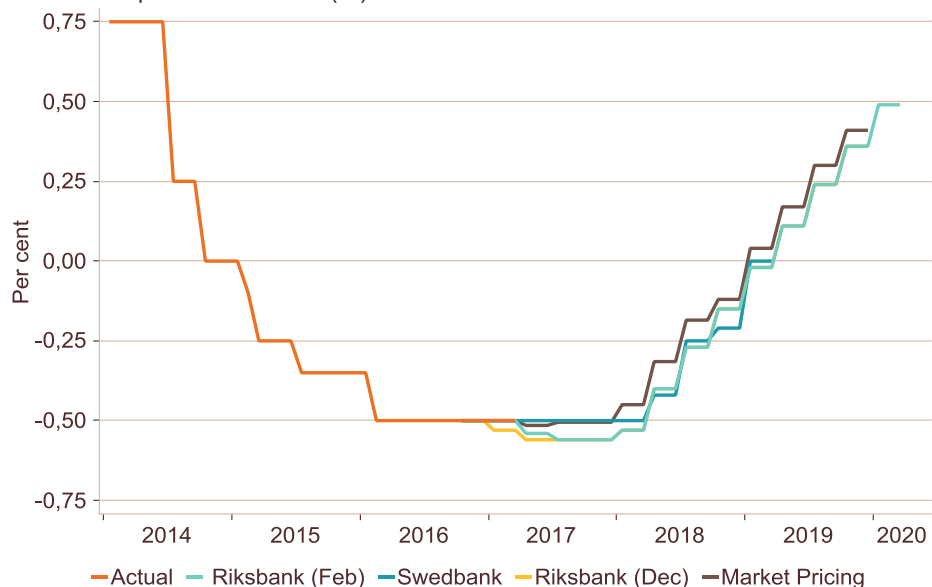
- Higher price pressure via a stronger labour market...
- ...but hard price competition and e-commerce counteract
- Lower base effects from energy prices as oil price forecast is lowered
- Stronger SEK counteracts imported inflation
- Risk for volatile energy prices as Oskarshamn 1 closed and water reservoirs run low

Riksbank easing is over, though a rate hike put off until 2018

QE ends this summer, but Rix continues to reinvest until the end of the year

The Riksbank puts off the first rate hike

Riksbank repo rate forecasts (%)



- Foreign central banks and a strong economy help to start a cautious retreat
- ECB's stance still crucial for Swedish monetary policy going forward
- The first rate hike will be put off until spring 2018
- The repo rate reaches zero at the end of 2018

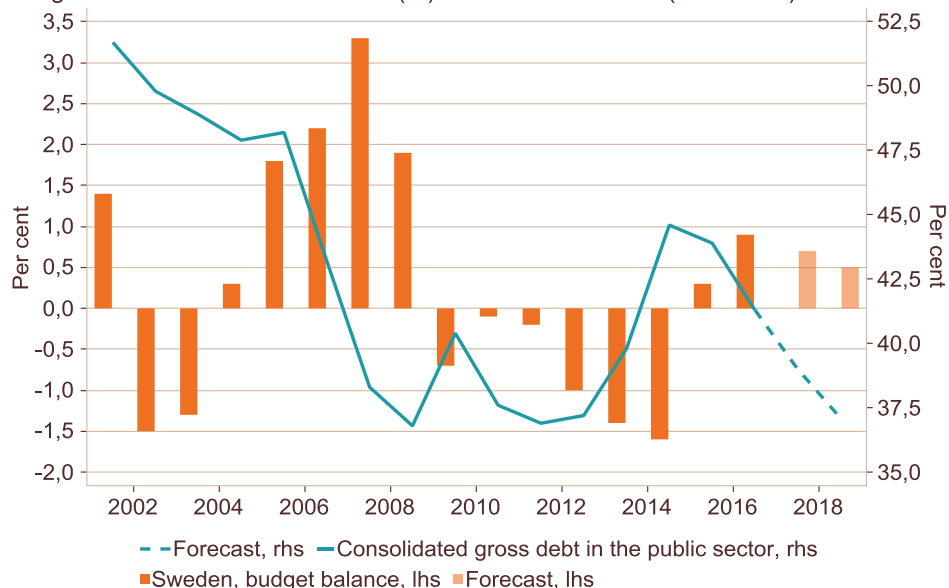
Source: Swedbank Research & Macrobond

A classic redistributive spring budget

Clarifying the government's intentions before the autumn budget and the election in 2018

Government policy permits reaching fiscal policy goals

Budget balance as a share of GDP (%) and Maastricht debt (% av BNP)



Source: Swedbank Research & Macrobond

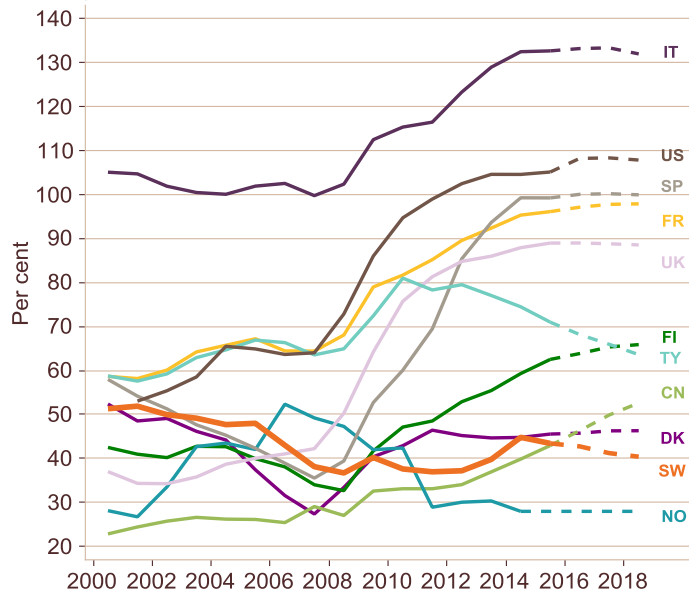
- Solid public finances and room for reforms due to strong growth and labour market
- Prioritised areas include climate, health care and welfare, labour market and education, and security
- Political pressures and the threat of snap elections might limit increase in marginal tax, but spending will be increased

The government has room for fiscal expansion

Swedish government debt at a low level in international comparison

Sweden's public finances among the strongest

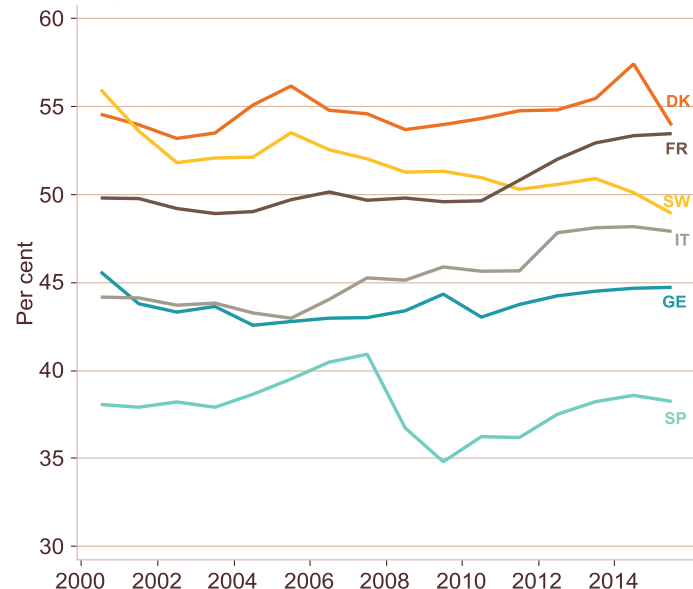
Gross government debt, % of GDP, IMF forecasts



Source: IMF, Swedbank Research & Macrobond

Trend in tax revenues as share of GDP to reverse

General government revenue as % of GDP



Source: IMF, Swedbank Research & Macrobond

The cyclical upswing strengthens in advanced economies

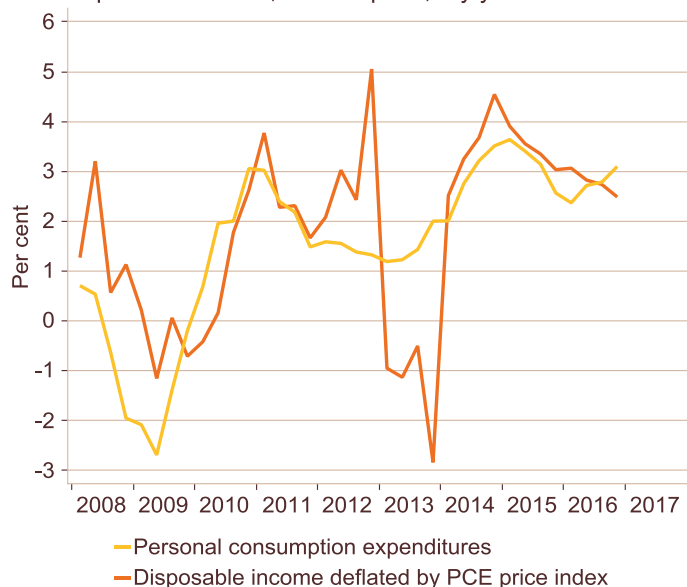
- **US:** The underlying drivers for growth will change amid uncertainty regarding the President's ability to enact reforms. The Federal Reserve, supported by a tight labour market and rising inflationary pressures, steps up pace of policy normalisation.
- **EMU:** Cyclical upturn will continue despite high political uncertainty. Investment will take up the baton of growth, while improved global outlook will also boost exports. Economic developments will justify policy normalisation in 2018.
- **UK:** Resilient economy despite Brexit. Rising inflation (that overshoots the target) makes it more difficult for BoE to refrain from tightening. Uncertainty, modest wage growth and (temporary) imported inflation motivate an unchanged rate but BoE dissenters are likely by 2019, and QE is not likely to be extended. Households' purchasing power deteriorates while investments and exports benefit from weaker GBP and higher global demand.
- **Japan:** Economic recovery to continue with help from ultra-loose monetary policy and fiscal stimulus. Consumer prices have started to increase but too early to discuss BOJ tightening.

US: Underlying drivers of US economic growth to change

Growth accelerates in '17, but does not boom. Slows again in '18. ['17: 2.3%, '18: 2.0%]

Consumption growth to moderate in coming years

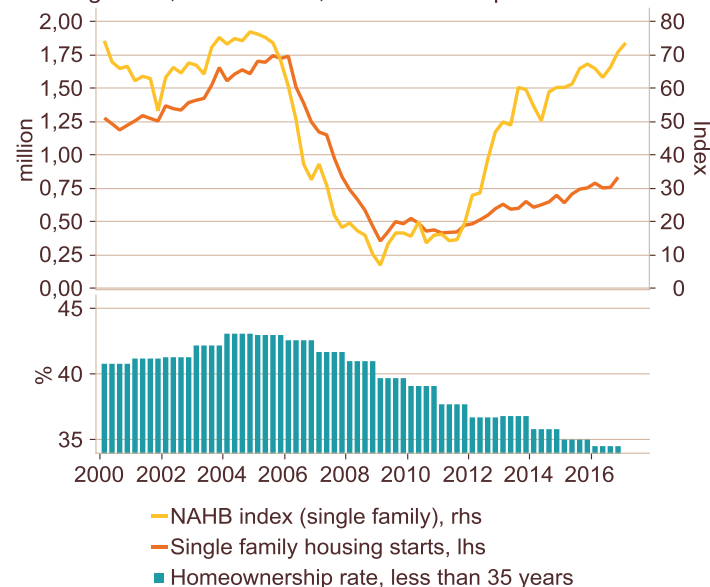
Real disposable income, consumption, %/y



Source: Swedbank Research & Macrobond

Recovery in private investments expected

Housing starts, NAHB index, homeownership rates



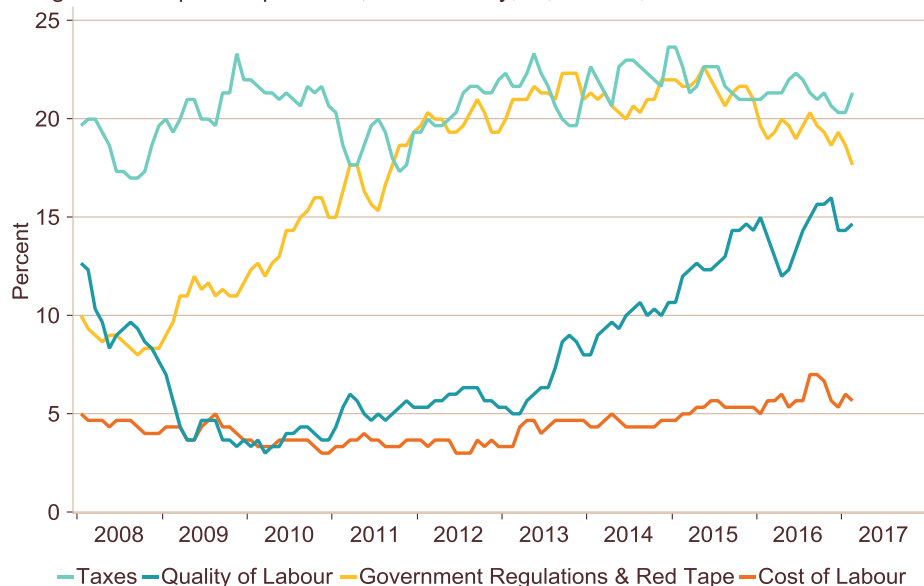
Source: Swedbank Research & Macrobond

US: Can Trump deliver his promised pro-growth reforms?

Health care debacle raises questions re political support, in spite of Republican congress

Regulatory burden has been weighing on SMEs

"Single most important problem", NFIB survey, %, 3m MA, SA



Source: Swedbank Research & Macrobond

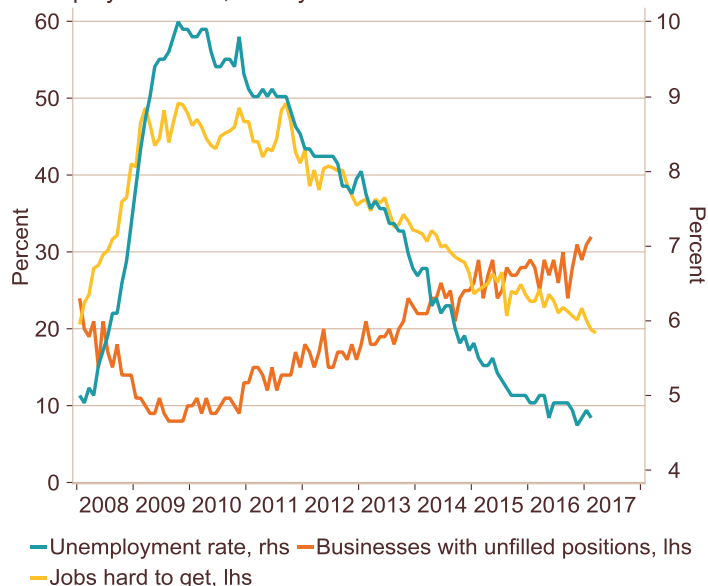
- Deregulation supports private investment, growth
- We remain sceptical that major tax reform happens, though we expect tax cuts
- Full infrastructure package likely will not happen
- Underlying economics, demographics matter more for growth than policy
- Overall, the US will not see the growth rates that Trump promised

US: Federal Reserve continues policy normalisation

Fed funds 1.25% to 1.5% end '17, 1.75% to 2.0% '18. Balance sheet reduction begins '17/'18.

Looking forward, the labour market remains tight

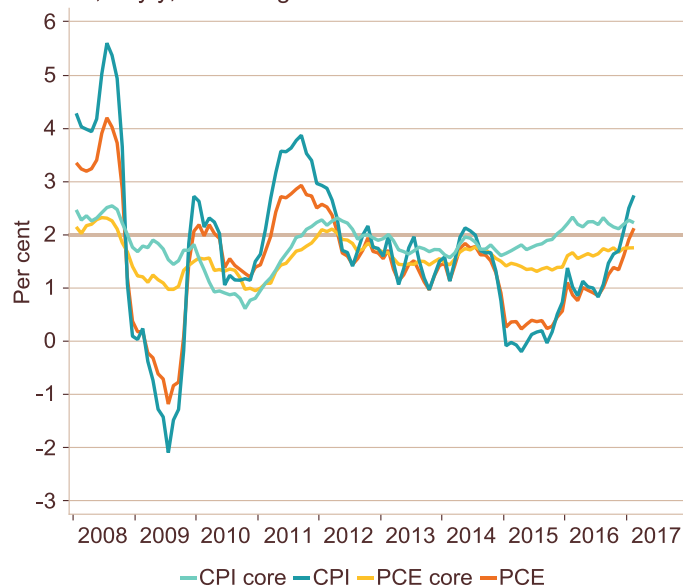
Unemployment rate, survey evidence on labour market



Source: BLS, Conference Board, NFIB, Swedbank Research & Macrobond

Inflationary pressures close to target and rising

Inflation, % y/y, according to various measures



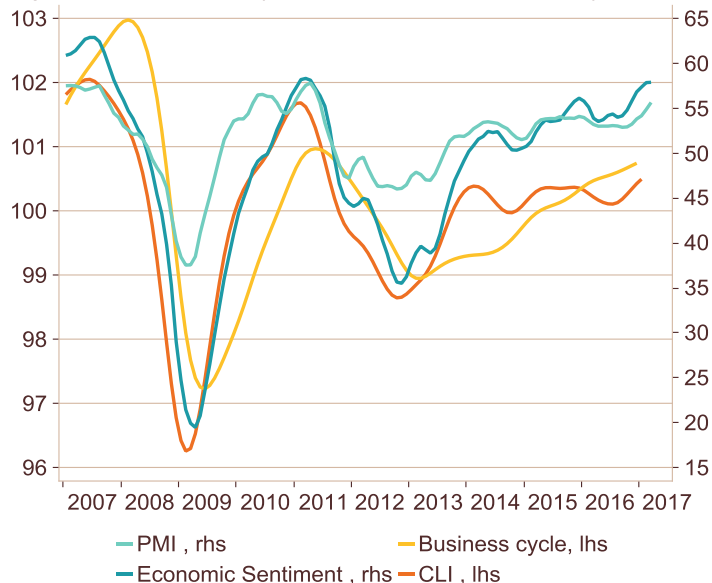
Source: Swedbank Research & Macrobond

EMU: Cyclical upturn will last longer

Growth revised up to 1.7% in 2017-2018, broad based recovery across countries and industries

EMU Leading indicators and expectations

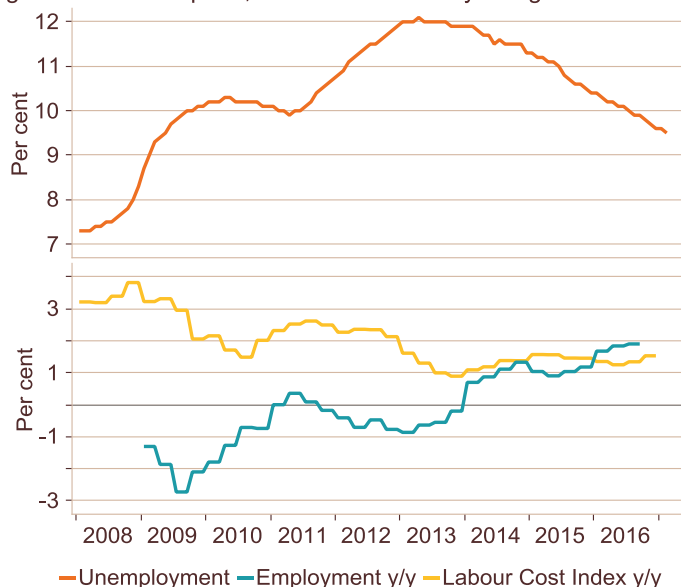
highest in more than 5 years, DE and FR lead the way



Source: Swedbank Research & Macrobond

Tighter labour market ahead

good for consumption, but counteracted by rising inflation



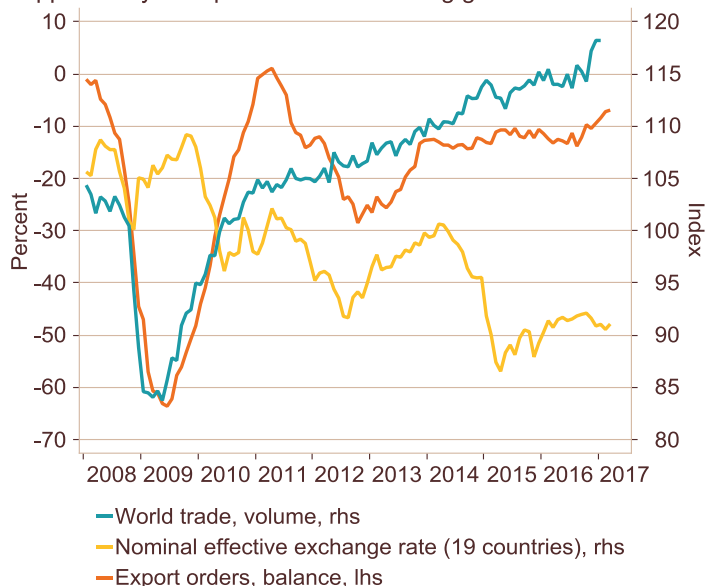
Source: Swedbank Research & Macrobond

EMU: Businesses to pick up the baton from consumers

Investment supported by fundamentals, easing uncertainty, Juncker plan & defence spending

Export orders are on the rise

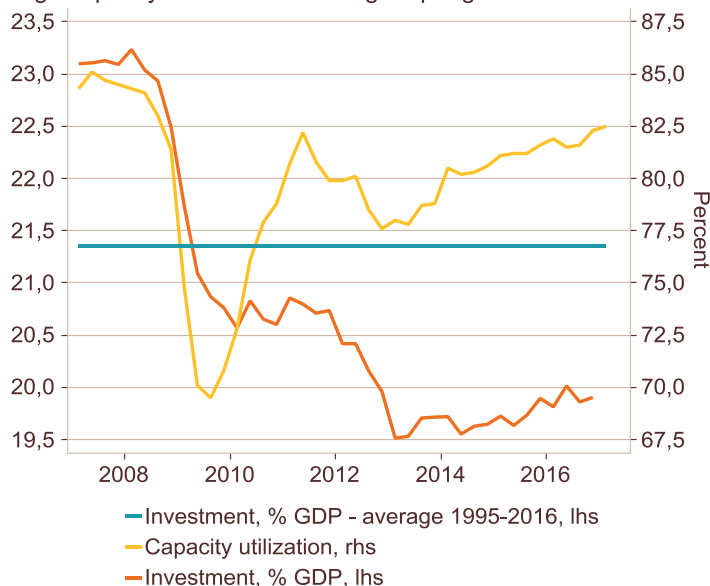
Supported by cheap euro and recovering global trade



Source: Swedbank Research & Macrobond

Investments are low, but will pick up soon

High capacity utilization is limiting output growth



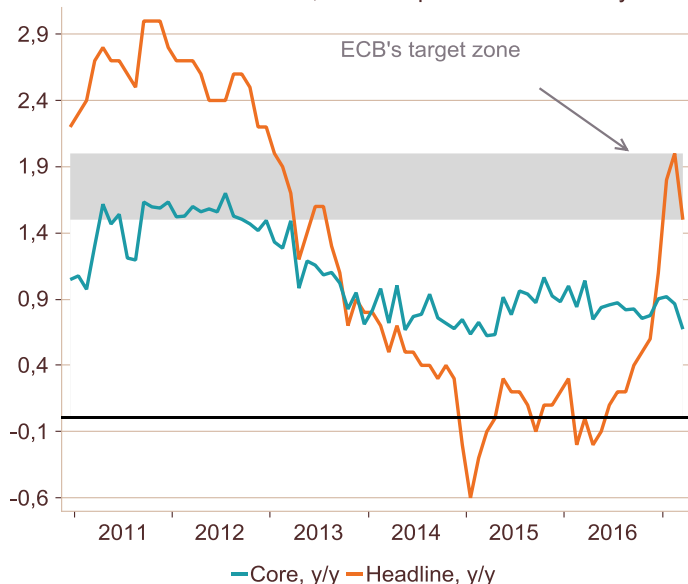
Source: Swedbank Research & Macrobond

EMU: Economic developments justify normalization in 2018

ECB will start tapering next year in January, will start raising deposit rates in summer and main refinancing rate in December, but watch out for political risks

EMU Consumer prices on the rise

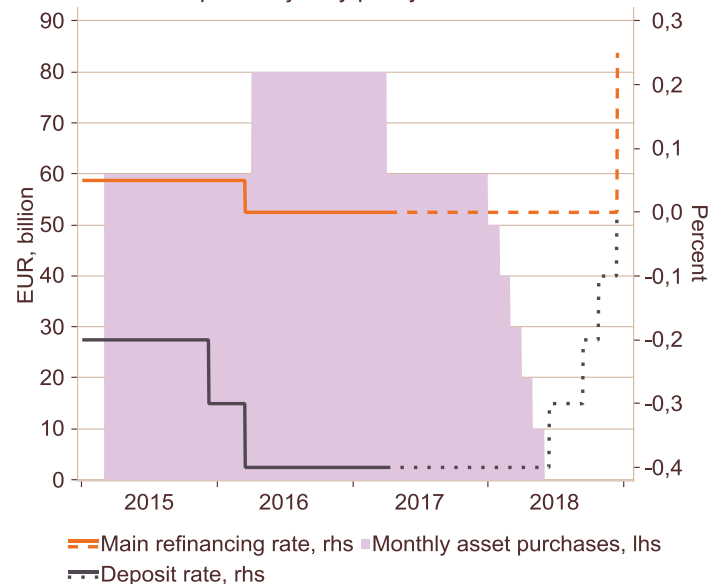
Core inflation still below 1%, but is expected to rise this year



Source: Swedbank Research & Macrobond

Euro area policy rates and QE

Economic developments justify policy normalization in 2018



Source: Swedbank Research & Macrobond

UK: MayDay, B-day or just March 29

The clock set at two years has begun ticking, high likelihood of prolongation of negotiations

Expected dates		Event
2017	(29 March)	Article 50 activated
	2Q/3Q	Process of Great Repeal Bill starts in UK
	11 April	Undersecretaries & EU ambassadors' first meeting about Brexit-draft
	27 April	Ministers of EU affairs discuss draft
	29 April	EU27 Summit: talks about negotiating guidelines
		<i>Commission's negotiating mandate talks*</i>
		<i>EU27 authorize Barnier to formally begin process*</i>
	Mid-May	Barnier & Davis start withdrawal negotiations *
	22-23 June	Council meeting
2018	Q4/Q1	Ratification
2019	29 March	Brexit completed or extension talks (likely)
	Q2-onwards	If not simultaneous, new UK-EU relationship talks
	Q2-onwards	UK trade talks with RoW
Note: EU's chief negotiator Barnier		European Council president Tusk
UK's Prime Minister May		UK's Secretary of State for Exiting the EU David Davis
Source: Sw edbank Research		* Risk that this will be completed in June '17

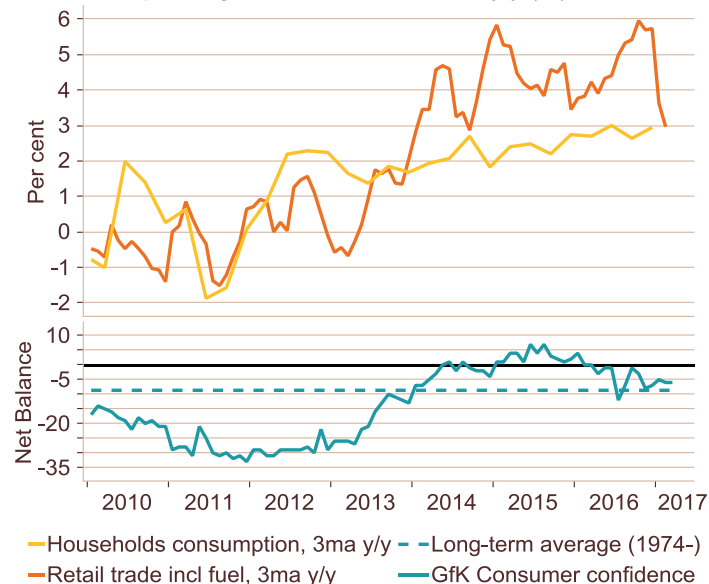
- UK requesting a “Hard Brexit” but has taken a marginally softer stance as of late (no longer “have the cake and eat it”)
- With Art. 50 invoked, EU holds the power. Citizens rights and budget are prioritised areas.
- Swedish goods trade so far unaffected. Limited effects on the Baltic economies.

UK: BoE eyes labour market and household spending

Households' purchasing power worsens. Firms' response to tight market & weaker GBP crucial

No slowdown yet, but weak signals ahead

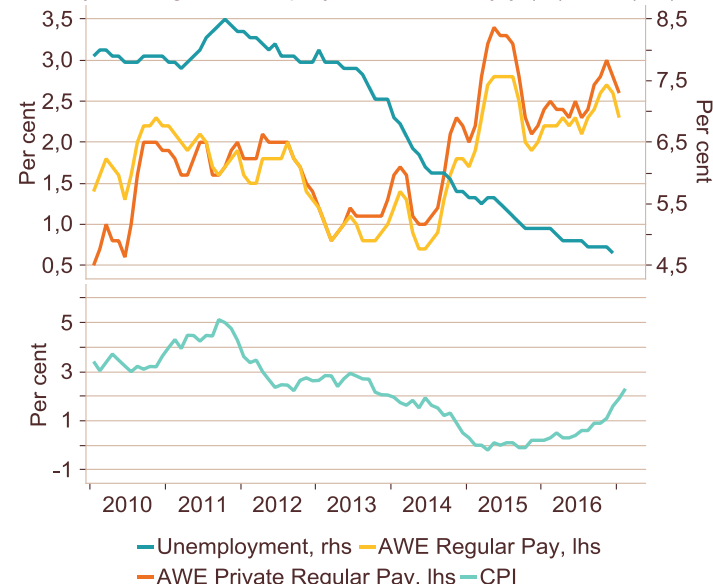
Consumer spending and confidence levels, y/y (%), 3m MA



Source: Swedbank Research & Macrobond

Tight labour market but wages restrained

Weekly earnings & unemployment, 3m MA y/y (%), CPI (SA)



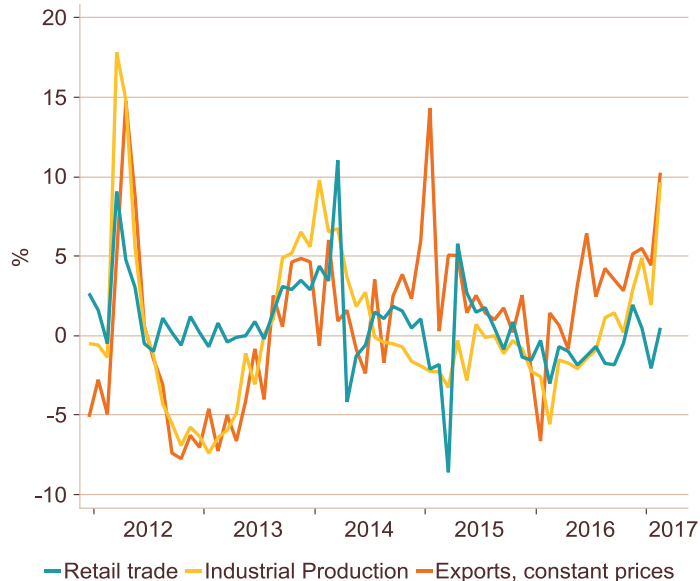
Source: Swedbank Research & Macrobond

Japan: Encouraging signs

But a long way to go until targets met

Optimism in the business sector

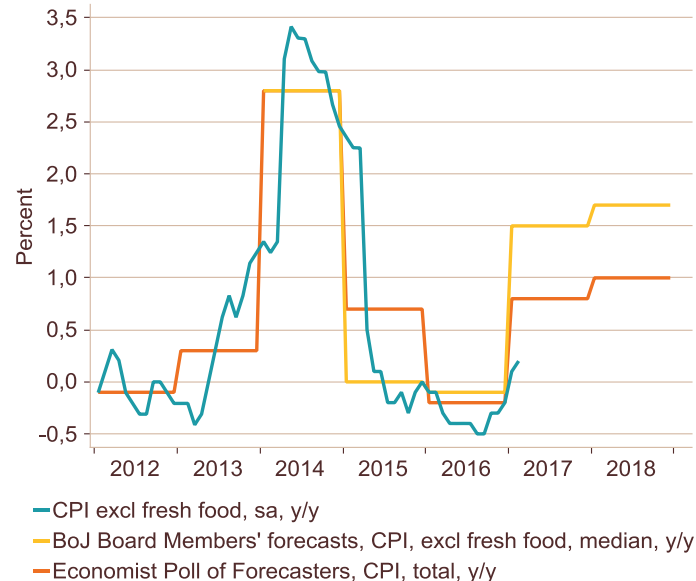
Main economic indicators, y/y (%)



Source: Swedbank Research & Macrobond

Too early to discuss tightening

Inflation forecasts, y/y (%)



Source: Swedbank Research & Macrobond

Emerging markets are slowly recovering

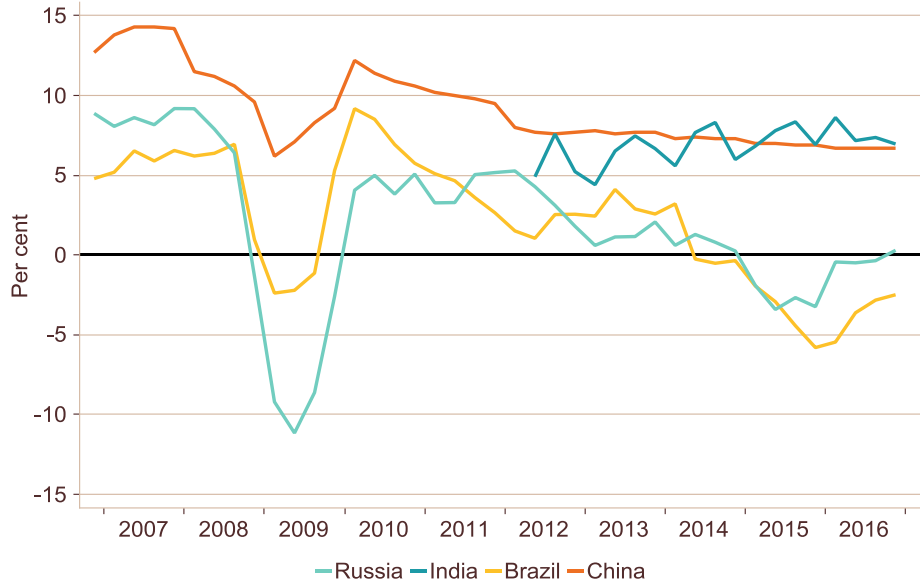
- **EM:** 2017 has started with positive growth surprises and we expect moderate growth going forward, although from a low base.
- **China:** Economic stability is prioritized and monetary policy will be tightened to cool down the overheated property market. US protectionism poses a risk to the economy.
- **Brazil:** Growth has stabilized thanks to higher commodity prices. Reforming the social security system remains a big policy challenge.
- **India:** Short term growth setback after the banknote exchange but recent election results keep the reform process up.
- **Russia:** Industry led recovery this year to broaden into consumption. Low inflation puts CBR on an easing cycle. Less aggressive outlook for oil puts less pressure on RUB to strengthen. Limited easing of sanctions is likely, but with little impact on GDP and RUB.

Emerging markets: slowly recovering

Growth prospects are looking better, but political risks loom large

Growth to recover after a large dip in 2016

BRIC, GDP, Constant Prices y/y (%)



Source: Swedbank Research & Macrobond

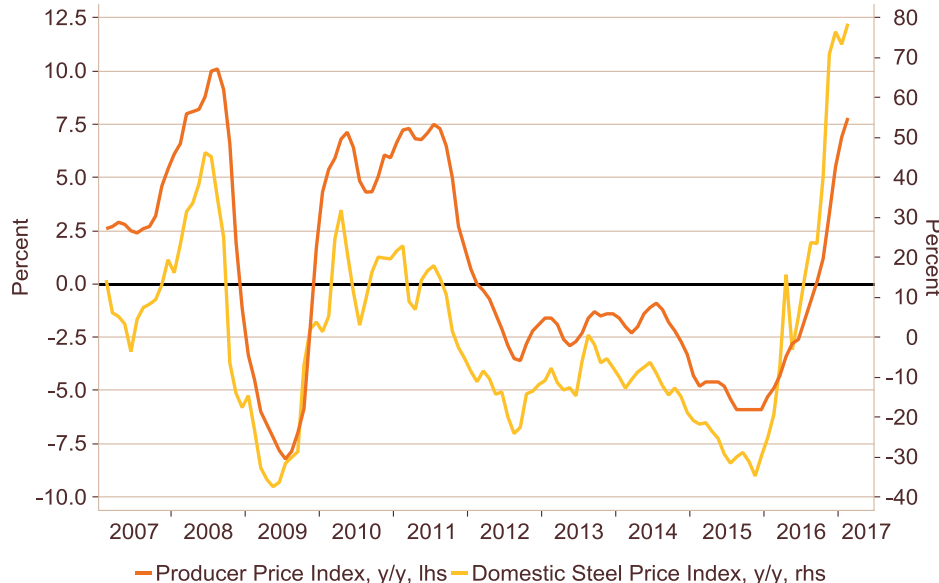
- EM growth below advanced economies for the first time since 1999
- 2017 has started with positive growth surprises
- US trade policy a big risk, especially for Asia
- Strong terms of trade benefit economic growth in Russia and Brazil
- Political progress in India but slow economic momentum

China: Stability prioritized ahead of party congress in autumn

US trade policy risk may rise later this year

China is out of deflation

Producer and Domestic Steel Price Index



Source: Swedbank Research & Macrobond

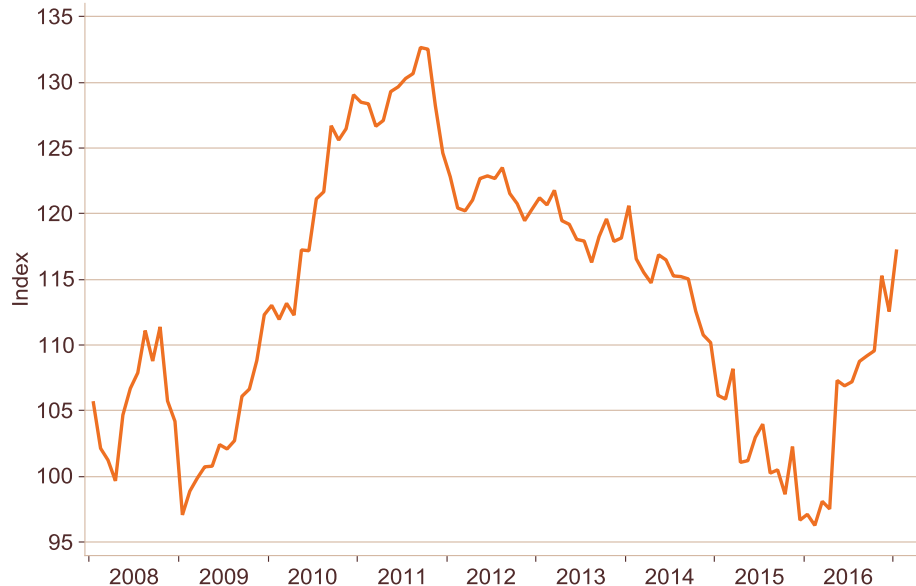
- Economic stability key in the run up to the party congress in autumn
- Tighter monetary policy as the property sector is still overheated
- China is out of deflation, easing debt service for highly leveraged entities
- US trade policy and geopolitical tensions are risk factors

Brazil: Supported by higher commodity prices

More reforms needed for sustainable growth

Brazil has benefitted from stronger commodities

Brazil, Terms of Trade, Index



Source: Swedbank Research & Macrobond

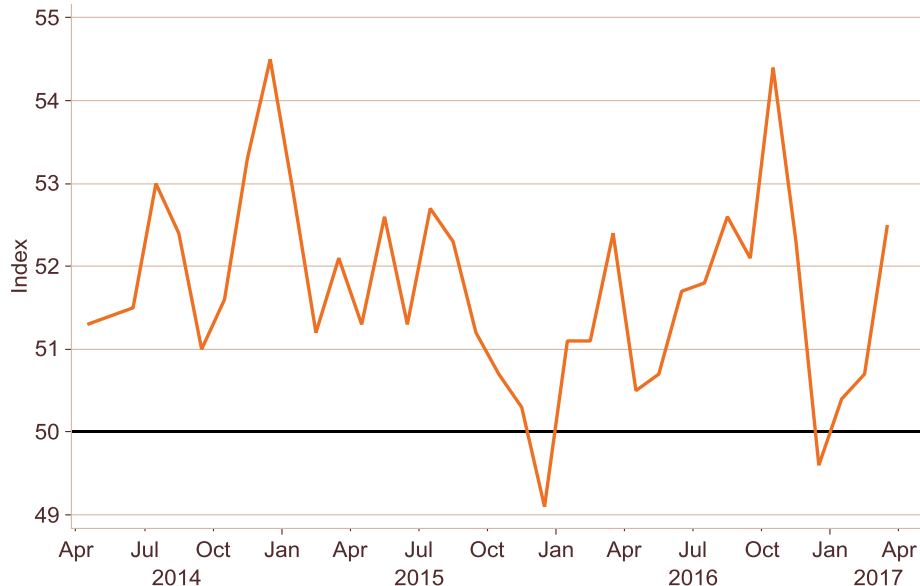
- Growth has stabilized thanks to higher commodity prices
- Some political progress after a ceiling on public spending was approved
- Reforming the social security system remains a big challenge
- Recovery limited by weak domestic consumption and structural bottlenecks
- Lower inflation opens up for bigger rate cuts

India: Crackdown on the black economy

Short term growth setback but recent election results keep the reform process up

Business confidence hit by the banknote exchange

India, Manufacturing PMI Index, SA



Source: Swedbank Research & Macrobond

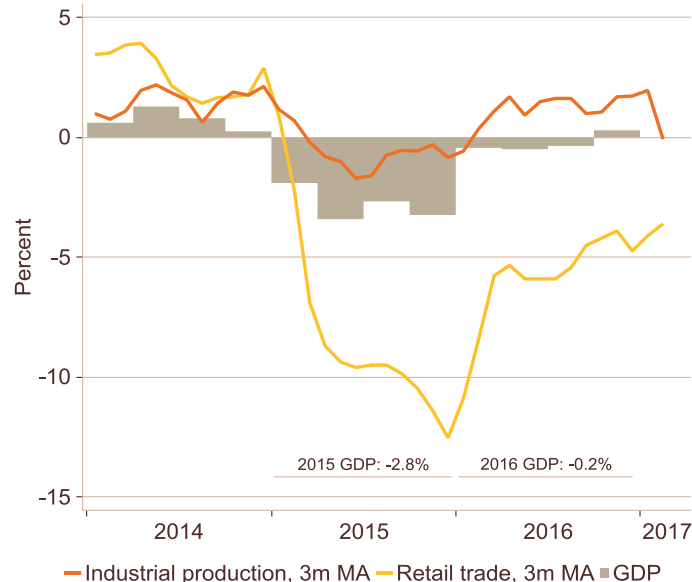
- Better prospects for reforms after BJP won important local elections recently
- Economic growth is however hampered by the negative effects of the banknote exchange
- Credit growth remain weak as banks are still burdened with bad loans
- Business sentiment has yet to recover
- Monetary policy is too tight

Russia: Recovery roots in, consumption to join in later this year

GDP growth to accelerate to 1.5% and 2.0% in 2017-18; key rate cut to 6.5% by end-2018

Weak February is a blip, slow recovery continues

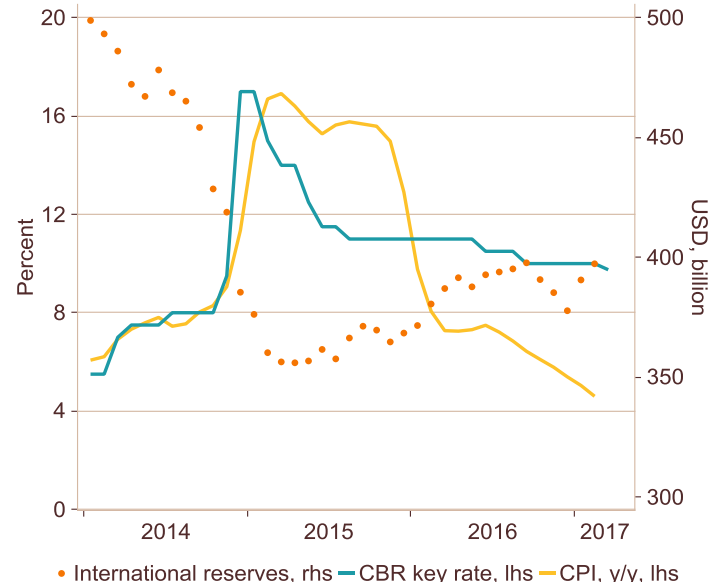
GDP, industrial production and retail trade, y/y



Source: Swedbank Research & Macrobond

Falling inflation paves the way to monetary easing

Inflation, policy rate and international reserves



Source: Swedbank Research & Macrobond

FX & FI - Higher yields and stronger SEK are in the cards

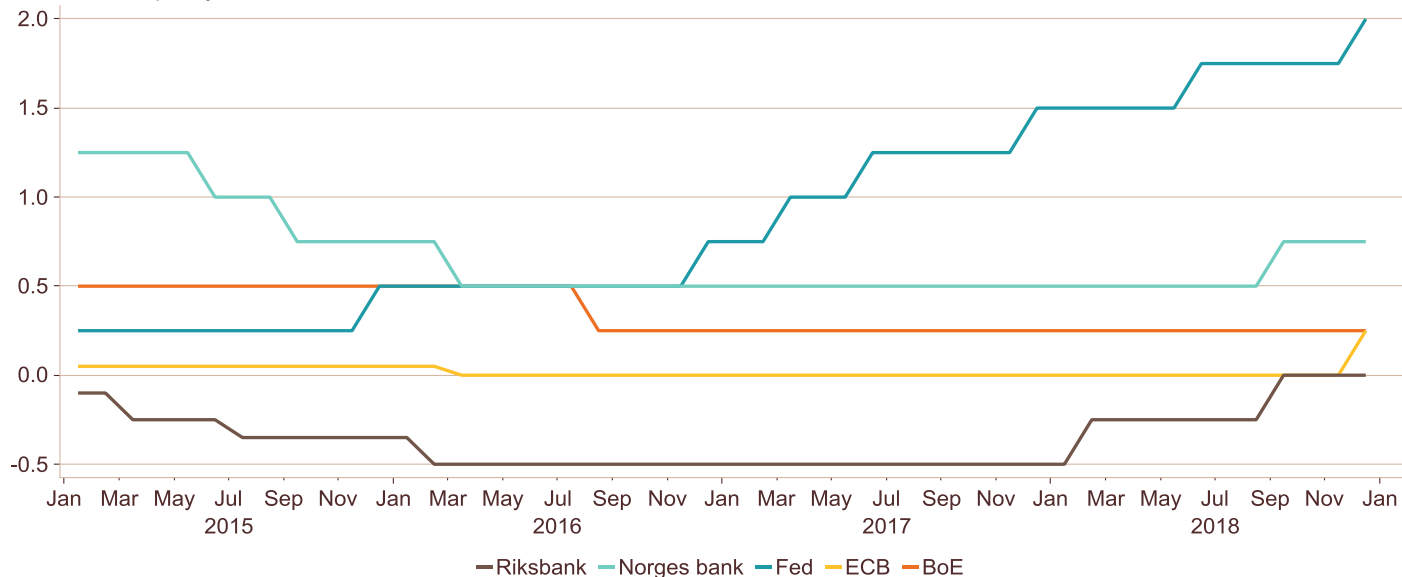
- The steepening trend of yield curves has waned with stalled inflation expectations and higher expected policy rates
- Market expect “taper” with no “tantrum” from Riksbank and ECB
- Overall **SEK** strength in next coming two years due to strong Swedish macro development, but a victory for Macron in France and a less dovish ECB may strengthen **EUR** against **USD**
- **USD** strength fading without more aggressive Fed-hikes as Trumps’ fiscal promises seem more unlikely to come true

Major central banks moving towards normalisation of policy

Federal Reserve far ahead of other central banks. ECB and BOJ remain soft in near term.

Stronger global growth and rising inflation rates enable gradual monetary tightening

Central bank policy rates and Swedbank forecasts



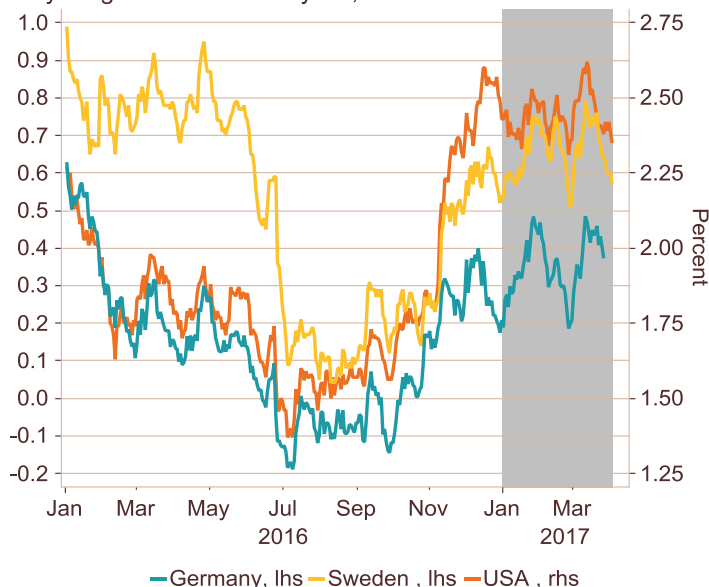
Source: Swedbank Research & Macrobond

Bond sell-off led by Europe and Sweden

Steepening trend has waned with stalled inflation expectations and higher expected policy rates

Underlying growth pressuring European rates

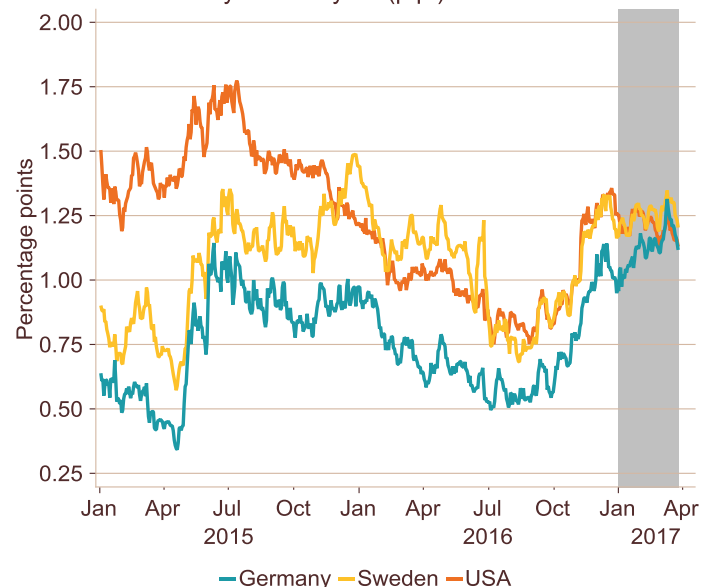
10-year government bond yield, %



Source: Swedbank Research & Macrobond

The curve steepening has stalled

Yield difference 10-year vs 2-year (p.p.)



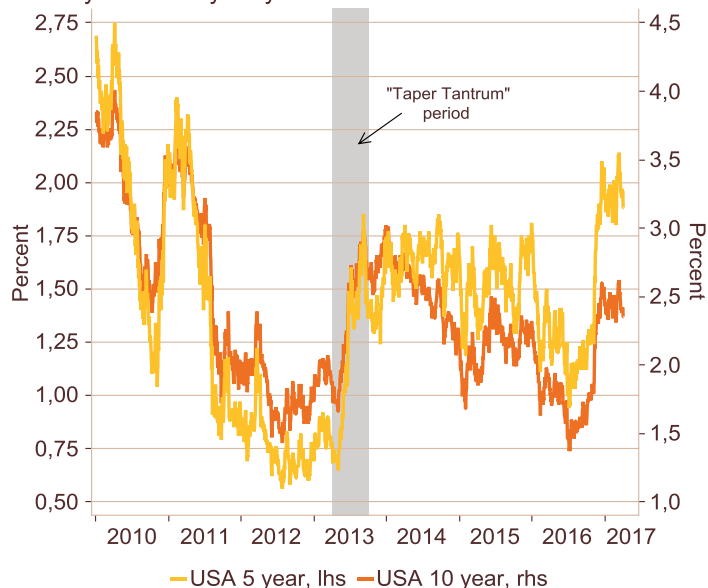
Source: Swedbank Research & Macrobond

Markets expect “taper” with no “tantrum” from CB

Diminishing supply of Swedish duration will cap the rate increase in Sweden to some extent

Rate increase in US with "Taper Tantrum"

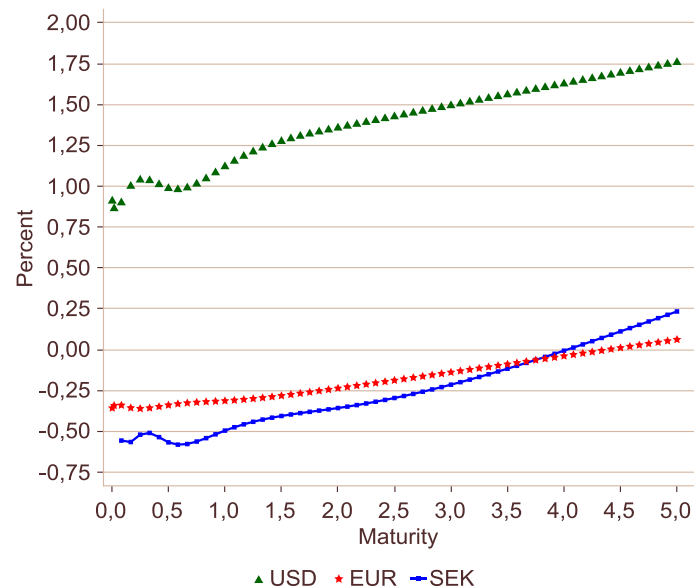
US 10-year and 5-year yields



Source: Swedbank Research & Macrobond

Markets expect higher policy rates

OIS curves



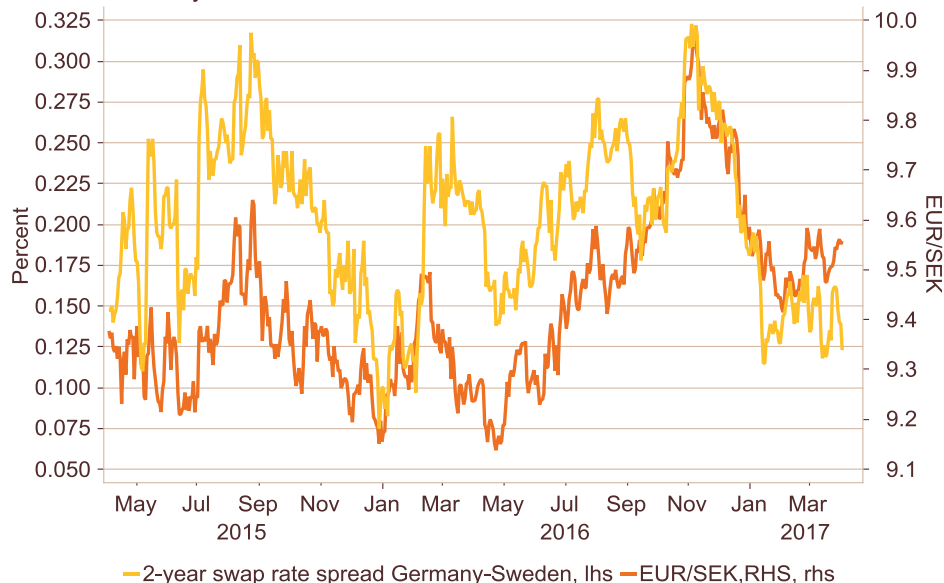
Source: Swedbank Research & Macrobond

EUR/SEK in line with the relative rate difference

...but with a Macron victory in France's presidential election the EUR has potential to appreciate against USD

SEK has strengthened with the Swedish economy

EUR/SEK and 2-year rate differential



Source: Swedbank Research & Macrobond

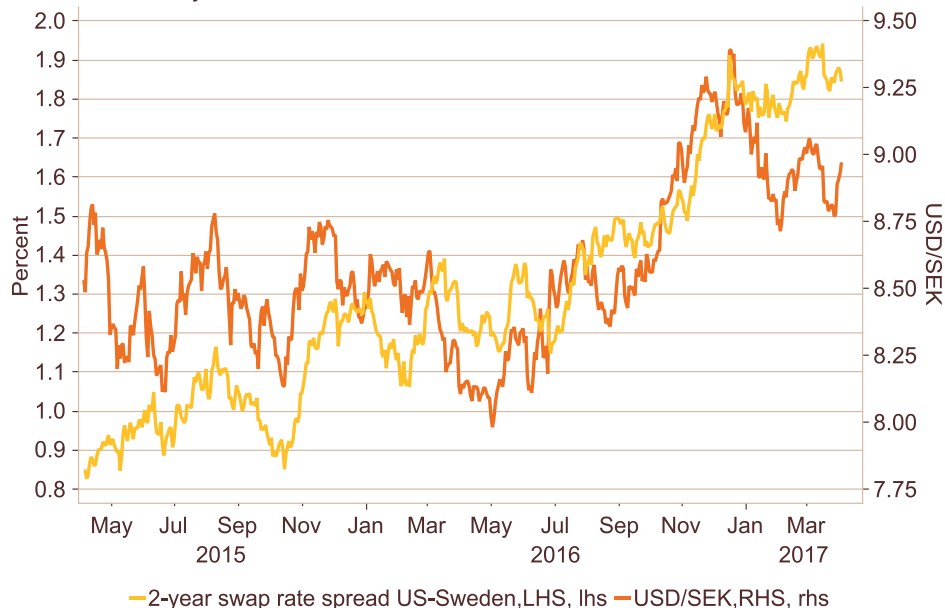
- Overall SEK strength expected in coming 2 years due to relatively strong Swedish macro picture
- Riksbank wary of too rapid SEK appreciation - risk for dovish bias
- ECB getting more hawkish and discussions on depo rate increase will give EUR a rate advantage reflected in higher EURUSD level towards mid-2017

USD weakens without more aggressive Fed-hikes

Trump's stimulus promises seem more unlikely to come true

Continuing USD strengtning unlikely

USD/SEK and 2-year rate differential



Source: Swedbank Research & Macrobond

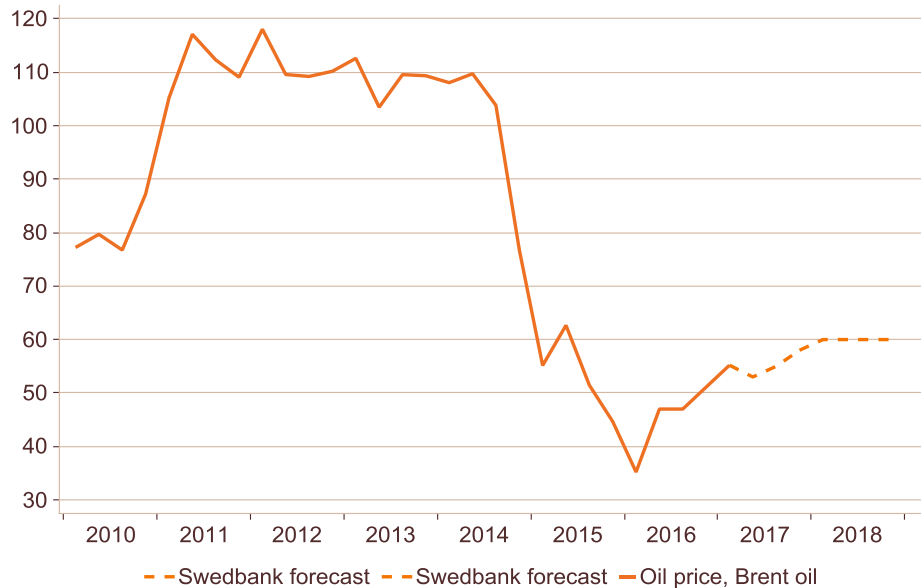
- USD benefits from elevated political risk in Europe but the yield advantage is fading out as other central banks come closer to ending stimulus
- Expectations for more expansionary US Fiscal policy abate as Trump's political agenda looks more unlikely
- For USD to gain more the Fed has to increase hiking pace beyond our forecast which is not likely

Rising oil price but at lower pace

Robust oil demand and output caps provide support for higher oil price

Higher oil price going forward

Brent oil in USD



Source: Swedbank Research & Macrobond

- Robust global oil demand supported by stronger global growth and emerging markets
- Supply reductions extended by OPEC, May 25th meeting in focus
- US oil production and lower breakeven costs in shale production – downside risk for oil price
- Oil price forecast:
\$55.3 per barrel 2017
\$60.0 per barrel 2018

Nordics – Solid recovery – the laggards are gradually closing in

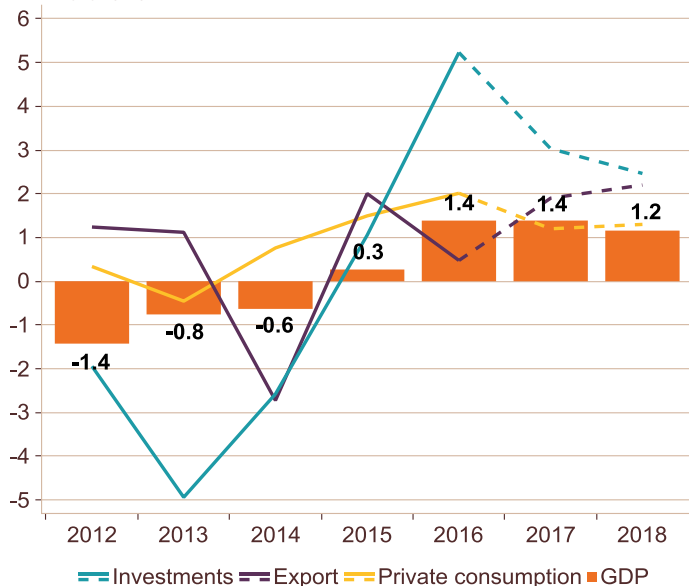
- **Finland:** Expected improvement of price competitiveness and foreign demand will accelerate export growth. At the same time, domestic demand will contribute less to GDP growth. In 2017, economic growth continues at the same pace as last year, but it is expected to slow somewhat in 2018. The unemployment rate will decrease and employment is gradually rising.
- **Denmark:** Real activity has surprised positively and past growth numbers have been revised upwards several times. Domestic demand is driving growth, supported by stronger sentiments among households and enterprises. We expect growth to continue to increase in the coming years. Limits to growth are, however, being reached, and we expect to see increasing constraints in the labour market.
- **Norway:** Growth accelerates at the same time as the downswing in the oil sector dampens. We estimate that oil price continues to rise which lends support. The housing market is the only domestic risk in the short and medium term. We expect that Norges Bank raises its policy rate in the second half of next year.

Finland: successful step up to the growth track

Reforms and austerity have been keywords of the Finnish economy

Domestic demand will contribute less

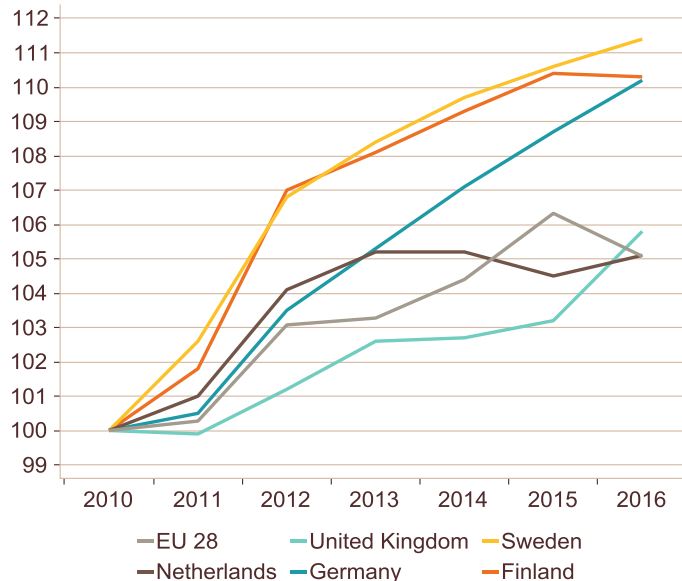
GDP y/y (%) and contribution from components, p.p.



Source: Swedbank Research & Macrobond

Price competitiveness improves

Unit labour cost, nominal, 2010=100



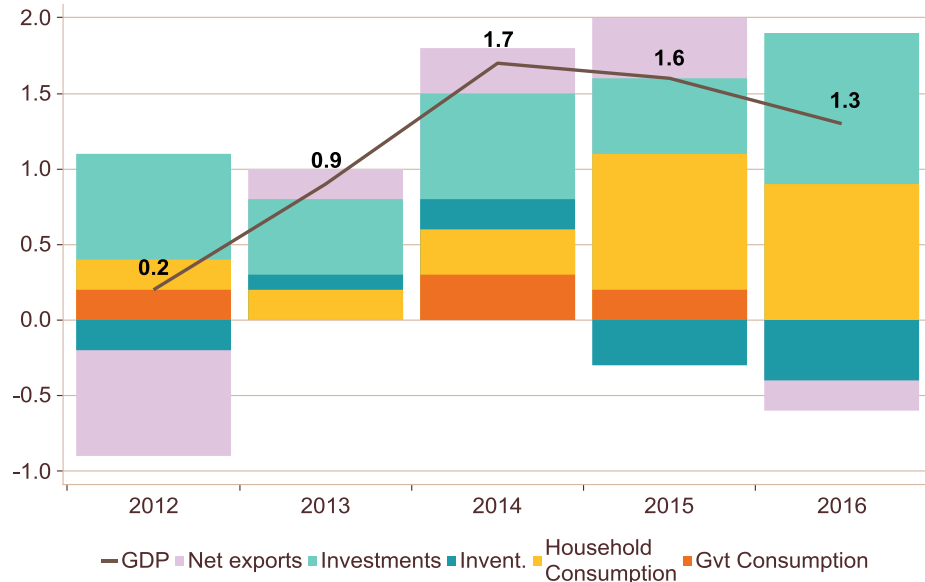
Source: Swedbank Research & Macrobond

Denmark: Balanced recovery to continue

Strong households are driving growth

Growth - relying on domestic demand

Contribution to GDP growth, pp



Source: Swedbank Research & Macrobond

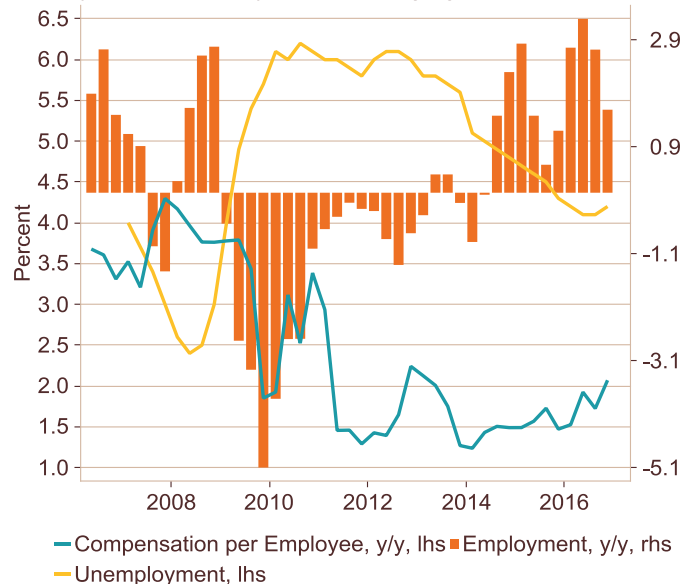
- Households benefit from solid labour market and low interest rates.
- Private sector investments to pick up as capacity utilization reaches ceiling.
- Exports benefit from pickup in trading partners, but imports drive down growth contribution from net exports
- Growth forecast at 1.5% and 1.8% in 2017 and 2018, resp. Close to potential growth.

Denmark: Supply of labour reaching its limits

...while confidence is strengthening broadly across the economy

Sustained recovery pushes up wages

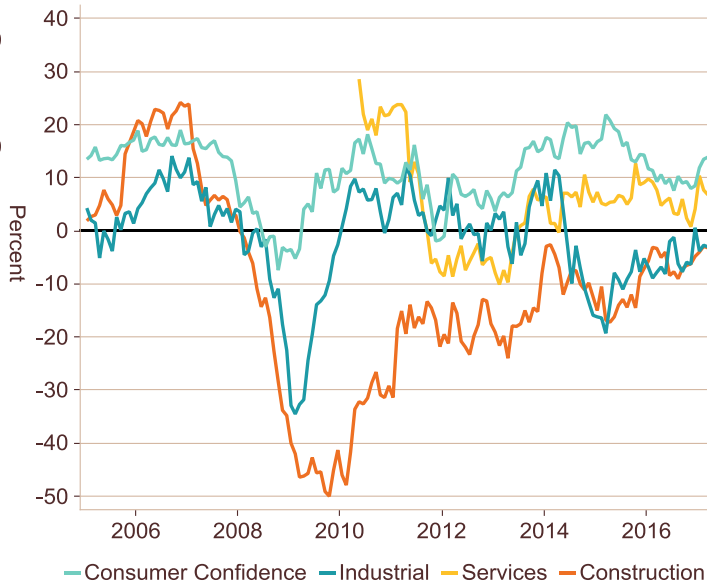
Employment, unemployment and wage growth



Source: Swedbank Research & Macrobond

Broad trend of improving confidence

Economic sentiments (net balance)



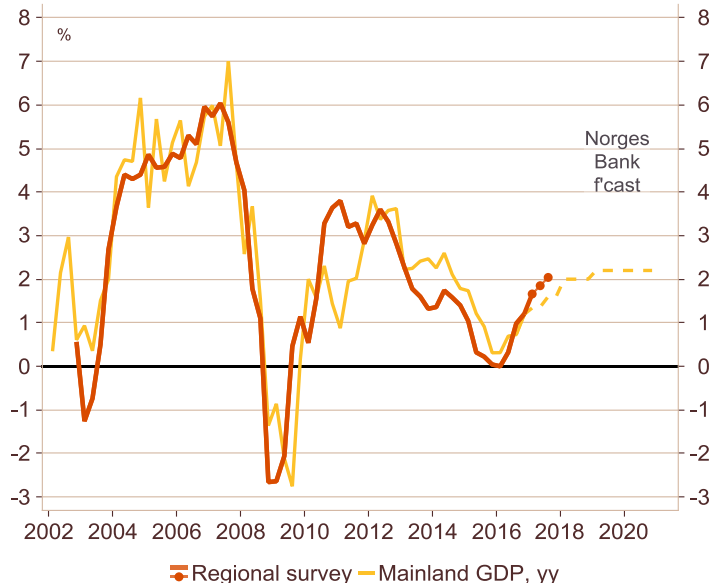
Source: Swedbank Research & Macrobond

Norway: The oil downturn over, new challenges ahead

No recession, just oil-related sectors went down. Growth accelerates in '17 & '18, but no boom.

Growth recovers, surveys say more to come

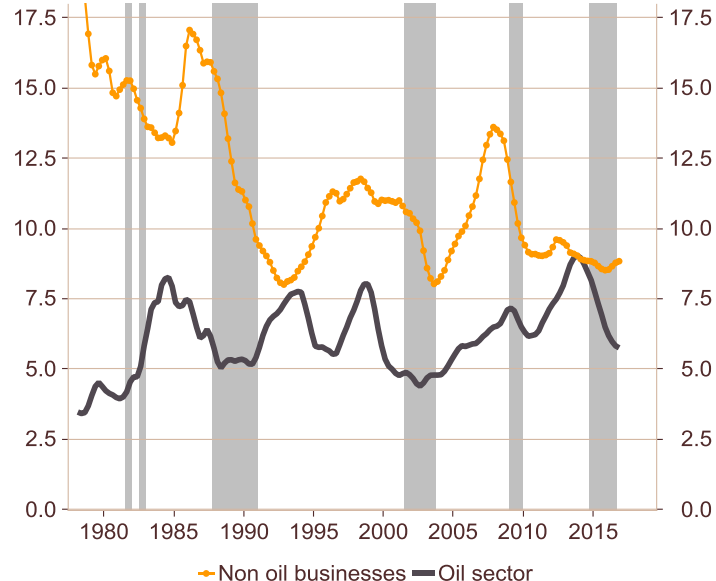
Norges Bank's Regional Network vs. Mainland GDP growth



Source: Swedbank Research & Macrobond

Oil investments close to bottom, others kept up

Oil sector, non oil business investm. in % of Mainland GDP



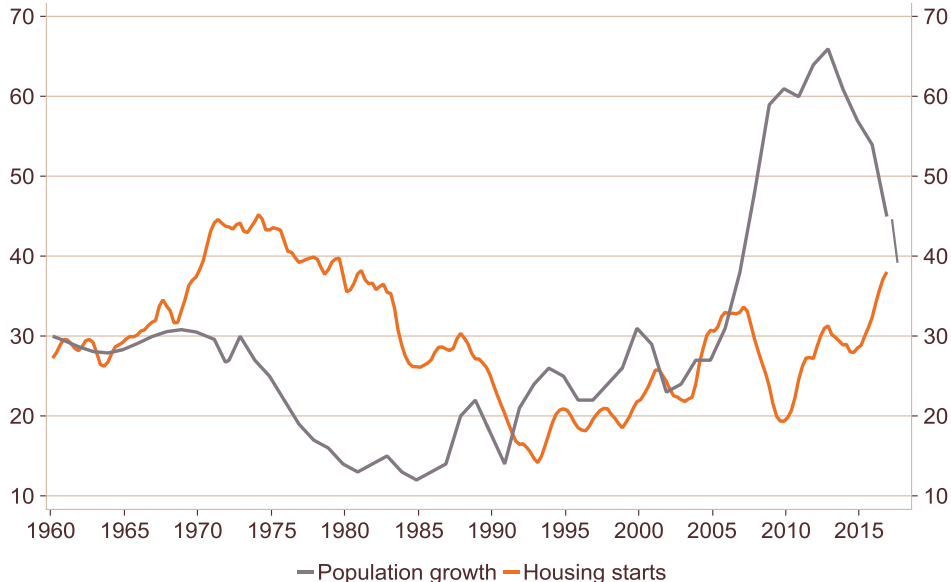
Source: Swedbank Research & Macrobond

Norway: Housing the major risk, does a storm lie ahead?

Housing investments exposed. Should house prices fall; higher savings, lower consumption.

Population growth down, housing starts up

Population growth vs. Housing starts, 1000' annual rate



Source: Swedbank Research & Macrobond

Some risks:

- Tighter mortgage rules, max 5x DTI, might have a substantial impact
- Household debt, house prices at record high levels
- Income growth muted
- Labour immigration, total population growth sharply down
- Housing starts at unusual elevated level, higher than in any other rich country

Baltics - Investment growth and foreign demand at the wheel

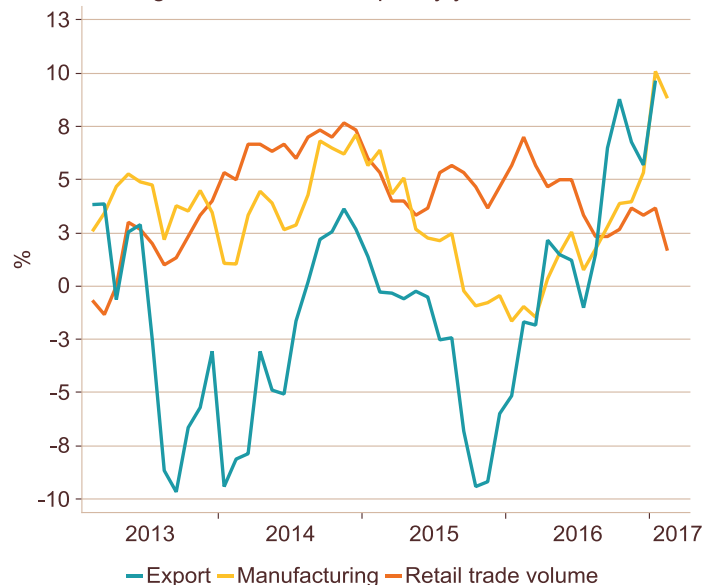
- **Estonia:** Expected improvement in foreign demand and recovery of investment growth will help to accelerate GDP growth in 2017 and 2018. Due to labour shortage, wage pressures will persist. Gap between productivity and wage growth expected to narrow, closing in 2018. After temporary slowdown this year, the lifted income tax exemption boosts real wage growth and consumption in 2018.
- **Latvia:** Investments have rebounded, GDP growth forecast revised up to 3% and 3.5% in 2017 and 2018. Recent sharp rise in exports due to improving external demand. Corporate credit expands. Weak consumer confidence is temporary drag as exports and EU funds' inflow are boosting investment and labour demand, speeding up wage growth and soon consumer confidence/consumption. Business confidence inching up.
- **Lithuania:** Growth revised upwards (to 3.0% & 2.7% in 2017-2018) as sentiment is high. Slightly decelerating consumption growth will be more than compensated for by higher investment growth. Employment will not grow, due to negative demographic trends, but wage growth will subside only marginally. Export growth will be supported by stronger foreign demand for now, but rising ULC is a medium-term challenge.

Estonia: Growth momentum is strengthening

Improving foreign demand helps exports; investment growth recovers

Export & manufacturing output accelerate

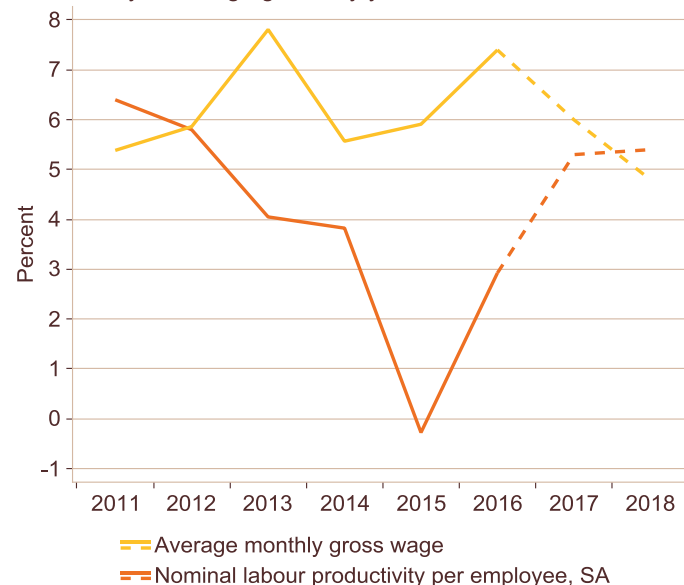
Manufacturing, retail trade and export, y/y, 3m MA



Source: Swedbank Research & Macrobond

Gap between productivity & wage growth closes

Productivity and wage growth, y/y



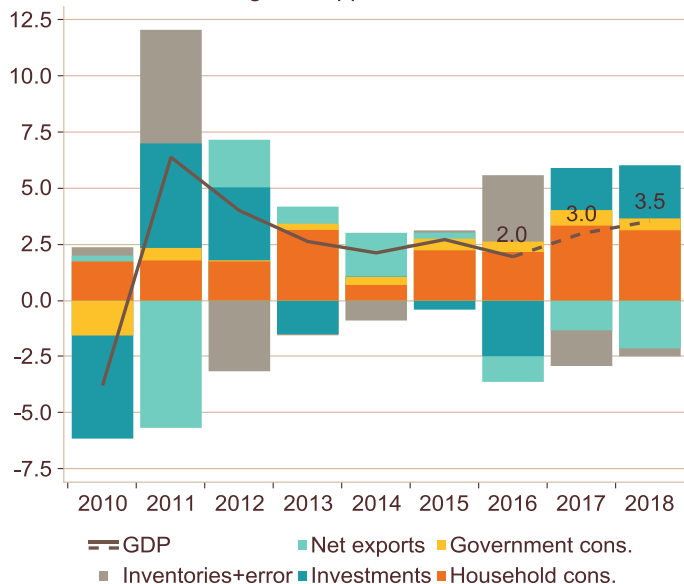
Source: Swedbank Research & Macrobond

Latvia: Investments have rebounded, growth is speeding up

Support from rising external demand and improved export market shares, EU funds, credit growth, and tightening labour market.

Growth is finally broadening and speeding up

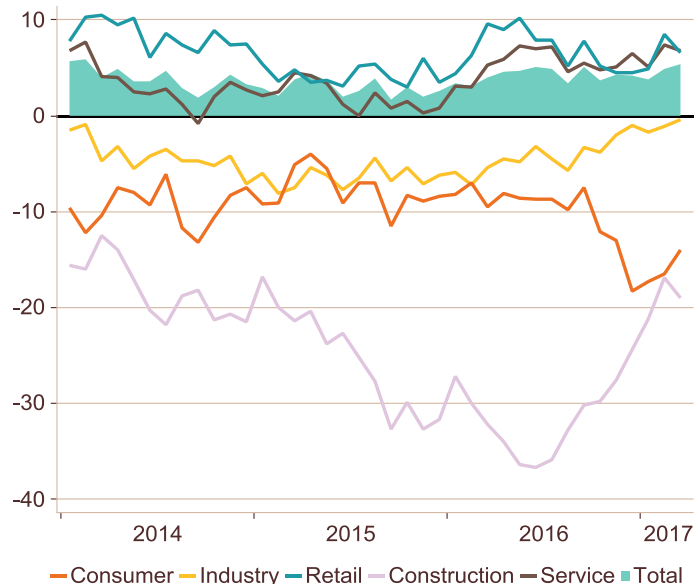
Contributions to GDP growth, pp



Source: Swedbank Research & Macrobond

Subdued consumer confidence is only temporary

Confidence indicators



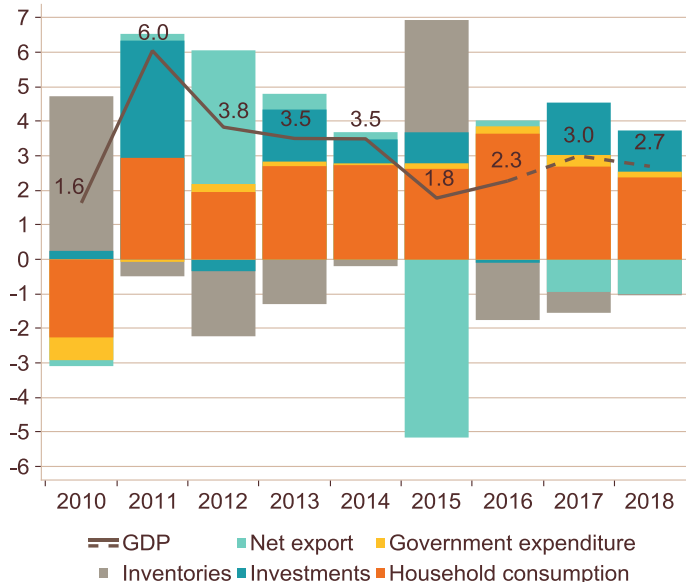
Source: Swedbank Research & Macrobond

Lithuania: Slight upward revision to growth

Supported by stable confidence & higher foreign demand, rising ULC a medium term challenge

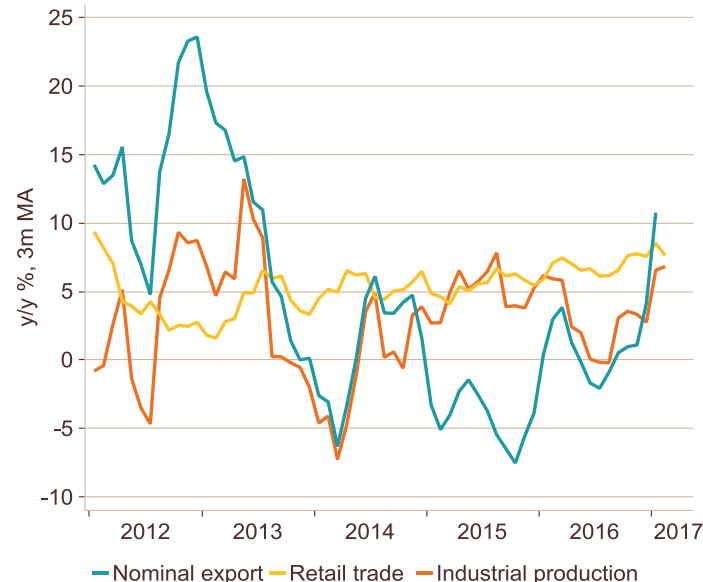
Easing consumption, but stronger investments

Contribution to GDP growth



Strong domestic and external sectors in 2017

Supported by recovering foreign demand and wage growth



Contacts

Swedbank Research

Olaf Manner

olof.manner@swedbank.se

Head of Research

+46 (0)8 700 91 34

Macro Research

Anna Breman

anna.breman@swedbank.se

Group Chief Economist

+46 (0)8 700 91 42

Harald-Magnus Andreassen

hma@swedbank.no

Chief Economist Norway

+47 23 11 82 60

Tõnu Mertsina

tonu.mertsina@swedbank.ee

Chief Economist Estonia

+372 888 75 89

Mārtiņš Kazāks

martins.kazaks@swedbank.lv

Deputy Group Chief Economist/Chief Economist Latvia

+371 6744 58 59

Nerijus Mačiulis

nerijus.maciulis@swedbank.lt

Chief Economist Lithuania

+370 5258 22 37

Magnus Alvesson

magnus.alvesson@swedbank.se

Head of Macro Research

+46 (0)8 700 94 56

Knut Hallberg

knut.hallberg@swedbank.se

Senior Economist

+46 (0)8 700 93 17

Jörgen Kennemar

jorgen.kennemar@swedbank.se

Senior Economist

+46 (0)8 700 98 04

Åke Gustafsson

ake.gustafsson@swedbank.se

Senior Economist

+46 (0)8 700 91 45

Martin Bolander

martin.bolander@swedbank.se

Senior Economist

+46 (0)8 700 92 99

Cathrine Danin

cathrine.danin@swedbank.se

Economist

+46 (0)8 700 92 97

Ingrid Wallin Johansson

ingrid.wallin-johansson@swedbank.se

Economist

+46 (0)8 700 92 95

Josefin Fransson

josefin.fransson@swedbank.se

Assistant

+46 (0)8 58590305

Maija Kaartinen

maija.kaartinen@swedbank.se

Research Assistant

+358 (0)50 4688 759

Øystein Børsum

ob@swedbank.no

Senior Economist

+47 99 50 03 92

Ingvild Almestad Aasen

ingvild.aasen@swedbank.no

Assistant to Swedbank Analys Norge

+47 481 263 30

Liis Elmik

liis.elmik@swedbank.ee

Senior Economist

+372 888 72 06

Vaiva Šečkutė

vaiva.seckute@swedbank.lt

Senior Economist

+370 5258 21 56

Laura Galdikienė

laura.galdikiene@swedbank.lt

Senior Economist

+370 5258 2275

Siim Isküll

siim.iskull@swedbank.se

Economist

+372 888 79 25

Agnese Buceniece

agnese.buceniece@swedbank.lv

Economist

+371 6744 58 75

Linda Vildava

linda.vildava@swedbank.lv

Junior Economist

+371 6744 42 13

Strategy

Sara Arfwidsson

sara.arfwidsson@swedbank.se

Head of Strategy and Allocation

+46 (0)8 5859 26 03

Johanna Högfeldt

johanna.hogfeldt@swedbank.se

FX/FI Strategy

+46(0)8 700 91 37

General Disclaimer

This material is a Marketing Communication and has not been prepared in accordance with the legal requirements for investment research and may have been produced in conjunction with the Swedbank AB (publ) ("Swedbank") trading desks that trade as principal in the instruments mentioned herein. This material is therefore not independent from the proprietary interests of Swedbank, which may conflict with your interests. Opinions expressed may differ from the opinions expressed by other business units of Swedbank. Note that part of the remuneration of the author(s) may be directly tied to any transactions performed, or trading fees received, by any entity of Swedbank Group.

This material includes references to securities and related derivatives that the firm's trading desk may make market or provide liquidity in, and in which it is likely as principal to have a long or short position at any time, including possibly a position that was accumulated on the basis of this analysis material prior to its dissemination. Trading desks may also have or take positions inconsistent with this material. This material may have been made available to other clients of Swedbank before it has been made available to you and is not subject to any prohibition on dealing ahead of its dissemination.

The opinions, commentaries, projections, forecasts, assumptions, estimates, derived valuations and target price(s) or other statements contained in this communication are valid as at the indicated date and/or time and are subject to change at any time without prior notice.

Analyst's certification

The analyst(s) responsible for the content of this report hereby confirm that notwithstanding the existence of any such potential conflicts of interest referred to herein, the views expressed in this report accurately reflect their personal views about the companies and securities covered. The analyst(s) further confirm not to have been, nor are or will be, receiving direct or indirect compensation in exchange for expressing any of the views or the specific recommendation contained in the report.

Issuer, distribution & recipients

This report by Swedbank LC&I Macro Research is issued by the Swedbank Large Corporates & Institutions business area within Swedbank AB (publ) ("Swedbank").

Swedbank is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen) and other financial supervisory bodies where Swedbank and LC&I have branches. Swedbank is a public limited liability company and a member of the stock exchanges in Stockholm, Helsinki, Oslo and Reykjavik, as well as a member of EUREX.

This report is distributed by Swedbank's branches. In no instance is this report altered by the distributor before distribution.

In Estonia this report is distributed by Swedbank AS, which is under the supervision of the Estonian Financial Supervisory Authority (Finantsinspektorat).

In Lithuania this report is distributed by "Swedbank" AB, which is under the supervision of the Securities Commission of the Republic of Lithuania (Lietuvos Respublikos vertybinių popierių komisija).

In Latvia this report is distributed by Swedbank AS, which is under the supervision of the Financial and Capital Market Commission (Finanšu un kapitāla tirgus komisija).

In the United Kingdom this communication is for distribution only to and directed only at "relevant persons". This communication must not be acted on – or relied on – by persons who are not "relevant persons". Any investment or investment activity to which this document relates is available only to "relevant persons" and will be engaged in only with "relevant persons".

By "relevant persons" we mean persons who:

- Have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotions Order.
- Are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order ("high net worth companies, unincorporated associations etc").
- Are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) – in connection with the issue or sale of any securities – may otherwise lawfully be communicated or caused to be communicated.

This document is being distributed in the United States by Swedbank AB (publ) and in certain instances by Swedbank Securities U.S. LLC ("Swedbank LLC"), a U.S. registered broker-dealer, only to major U.S. institutional investors, as defined under Rule 15c-6 promulgated under the U.S. Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission. This investment research is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research and are not a major U.S. institutional investor, you are instructed not to read, rely on or reproduce the contents hereof, and to destroy this research or return it to Swedbank AB (publ) or to Swedbank LLC. Analyst(s) preparing this report are employees of Swedbank AB (publ) who are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore the analyst(s) are not subject to Rule 2711 of the Financial Industry Regulatory Authority (FINRA) or to Regulation AC adopted by the U.S. Securities and Exchange Commission (SEC), which among other things, restrict communications with a subject company, public appearances and personal trading in securities by a research analyst.

Any major U.S. institutional investor receiving the report, who wishes to obtain further information or wishing to effect transactions in the securities referred to herein, should do so by contacting a representative of Swedbank LLC. Swedbank LLC is a U.S. broker-dealer registered with the Securities and Exchange Commission and a member of Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Its address is One Penn Plaza, 15th Fl., New York, NY 10119 and its telephone number is 212-906-0820. For important U.S. disclosures, please reference: <http://www.swedbanksecuritiesus.com/disclaimer/index.htm>

Limitation of liability

This information has been prepared for information only. Views expressed herein are not intended to be, and should not be viewed as advice or as a personal recommendation. Other than as indicated, this document has been prepared on the basis of publicly available information believed to be reliable. However, no representation or warranty, expressed or implied, is made by Swedbank with respect to the completeness or accuracy of its contents, and it is not to be relied upon as authoritative and should not be taken in substitution for the exercise of reasoned, independent judgment by you.

Be aware that investments in capital markets – such as in this document – carry economic risks and that statements regarding future assessments are comprehended with uncertainty. You are responsible for such risks alone and we recommend that you supplement your decision-making with that material which is assessed to be necessary, including (but not limited to) knowledge of the financial instruments in question and the prevailing requirements as regards trading in financial instruments.

Opinions contained in the report represent the analyst's present opinion only and may be subject to change. In the event that the analyst's opinion should change or a new analyst with a different opinion becomes responsible for our coverage of the company, we shall endeavor (but do not undertake) to disseminate any such change, within the constraints of any regulations, applicable laws, internal procedures within Swedbank, or other circumstances.

If you are in doubt as to the meaning of the recommendation structure used by Swedbank in its research, please refer to "Recommendation structure".

This research report is produced for general distribution to eligible recipients and Swedbank is not advising nor soliciting any action based upon it. If you are not a

client of ours, you are not entitled to this research report. This report is not, and should not be construed as, an offer to sell or as a solicitation of an offer to buy any securities.

To the extent permitted by applicable law, no liability whatsoever is accepted by Swedbank for any direct or consequential loss arising from the use of this report.

Conflicts of interest

The views in this communication may not be objective or independent of the interests of the authors or other Swedbank corporate and institutional banking desks, who may be active participants in the markets, investments or strategies referred to in this material. Swedbank and its respective affiliates, connected companies, employees or clients may have an interest in financial instruments of the type described in this document and/or related financial instruments. Such interests may include dealing in, trading, holding or acting as market-makers or liquidity providers in such instruments and may include providing banking, credit and other financial services to any company or issuers of securities or financial instruments referred herein. Accordingly, information included in or excluded from this material is not independent from the proprietary interests of Swedbank, which may conflict with your interests.

Company specific disclosures & potential conflicts of interest

In view of Swedbank's position in its markets, you should assume that Swedbank may currently (or may in the coming three months and beyond) be providing or seeking to provide confidential investment banking services to the companies referred to in this report. You should note that it may happen that Swedbank, its directors, its employees or its subsidiary companies at various times have had, or have sought, positions, advisory assignments in connection with corporate finance transactions; investment or merchant banking assignments and/or lending as regards companies and/or financial instruments covered by this report. It may also occur that Swedbank LC&I may act as a sponsor in trading with financial instruments covered by this report.

Planned updates

An investment recommendation for a company that Swedbank LC&I monitor is normally updated when the company has published an interim report. An update is normally made on the day after publication. In certain cases, a recommendation may be updated in the days leading up to the said report. When required, for example if the company has some extraordinary items of news, an investment recommendation may also be updated during the period between the reporting dates.

Reproduction & dissemination

This material may not be reproduced without permission from Swedbank LC&I. This report may not be disseminated to physical or legal persons who are citizens of, or have domicile in, a country in which dissemination is not permitted according to applicable legislation or other decisions.

Reproduced by Swedbank Large Corporates & Institutions, Stockholm 2016.

Address

Swedbank LC&I, Swedbank AB (publ), SE-105 34 Stockholm.

Visiting address: Landsvägen 40, Sundbyberg.



Appendix 1

Global GDP & Interest and exchange rate forecast

Swedbank's global GDP forecast^{1/} (annual percentage change)

	2015	2016	2017f	2018f		
USA	2.6	1.6	2.3	(2.3)	2.0	(1.9)
EMU countries	1.9	1.7	1.7	(1.6)	1.7	(1.4)
Germany	1.5	1.8	1.7	(1.6)	1.8	(1.2)
France	1.2	1.1	1.4	(1.3)	1.5	(1.5)
Italy	0.7	1.0	0.8	(0.6)	0.9	(0.7)
Spain	3.2	3.2	2.5	(2.7)	2.2	(2.2)
Finland	0.3	1.4	1.4	(0.9)	1.2	(1.0)
UK	2.2	1.8	1.7	(1.5)	1.3	(1.2)
Denmark	1.6	1.3	1.8	(1.5)	1.6	(1.8)
Norway	1.0	0.7	1.6	(1.5)	2.1	(2.0)
Japan	1.2	1.0	1.1	(0.9)	0.9	(0.7)
China	7.5	6.7	6.5	(6.3)	6.2	(6.2)
India	7.5	7.5	6.8	(7.0)	7.7	(7.6)
Brazil	-3.8	-3.6	0.3	(0.2)	2.2	(1.9)
Russia	-2.8	-0.2	1.5	(1.5)	2.0	(2.0)
Global GDP in PPP^{2/}	3.3	3.2	3.4	(3.4)	3.6	(3.3)

1/ January 2017 forecasts in parentheses.

2/ IMF weights (revised 2015).

Sources: IMF and Swedbank.

Interest and exchange rate forecasts, %

	Outcome	Forecast				
	2017 4.Apr	2017 30 Jun	2017 31 Dec	2018 30 Jun	2018 31 Dec	
Policy rates						
Federal Reserve, USA	1.00	1.25	1.50	1.75	2.00	
European Central Bank	0.00	0.00	0.00	0.00	0.25	
Bank of England	0.25	0.25	0.25	0.25	0.25	
Norges Bank	0.50	0.50	0.50	0.50	0.75	
Bank of Japan	-0.10	-0.10	-0.10	-0.10	-0.10	
Government bond rates						
Germany 2y	-0.8	-0.7	-0.4	-0.2	0.3	
Germany 5y	-0.5	-0.2	0.1	0.4	0.7	
Germany 10y	0.3	0.6	0.9	1.2	1.5	
US 2y	1.3	1.6	2.0	2.3	2.5	
US 5y	1.9	2.2	2.5	2.9	3.2	
US 10y	2.4	2.8	3.1	3.4	3.5	
Exchange rates						
EUR/USD	1.07	1.05	1.10	1.11	1.12	
USD/CNY	6.9	7.0	7.2	7.2	7.3	
EUR/NOK	9.95	8.95	8.87	8.60	8.55	
USD/JPY	110	117	118	115	110	
EUR/SEK	9.56	9.40	9.40	9.20	9.15	
EUR/GBP	0.86	0.88	0.89	0.87	0.85	
USD/RUB	56	59	59	57	55	

Sources: Macrobond and Swedbank.

Appendix 2

Swedish forecast

Key Economic indicators, 2015-2018 ^{1/}

	2015	2016e	2017f	2018f
Real GDP (calendar adjusted)	3.8	3.0	3.1	2.5
Industrial production	3.9	0.5	2.5	3.0
CPI index, average	0.0	1.0	1.6	2.2
CPI, end of period	0.1	1.7	1.6	2.5
CPIF, average ^{2/}	0.9	1.4	1.6	1.7
CPIF, end of period	0.9	1.9	1.4	1.7
Labour force (15-74)	0.8	1.0	1.7	1.0
Riksbank policy rate, end of period	-0.35	-0.50	-0.50	0.00
Unemployment rate (15-74), % of labor force	7.4	6.9	6.8	6.8
Employment (15-74)	1.4	1.5	1.8	1.1
Nominal hourly wage whole economy, average	2.4	2.5	2.8	3.1
Savings ratio (households), %	16.2	16.6	16.7	16.8
Real disposable income (households)	2.4	3.4	2.7	2.1
Current account balance, % of GDP	5.4	5.0	4.7	4.9
General government budget balance, % of GDP ^{2/}	0.3	0.9	0.7	0.4
General government debt, % of GDP	43.9	41.3	38.9	37.1

1/ Annual percentage growth, unless otherwise indicated. 2/ CPI with fixed interest rates.

Sources: Statistics Sweden and Swedbank

Swedbank's GDP Forecast - Sweden

Changes in volume, %	2015	2016	2017f	2018f
Households' consumption expenditure	2.7	2.2	2.5 (2.1)	2.1 (1.8)
Government consumption expenditure	2.5	3.1	1.6 (2.0)	2.1 (1.8)
Gross fixed capital formation	7.0	5.9	4.3 (4.0)	3.5 (3.3)
private, excl. housing	6.6	1.8	2.6 (2.5)	2.7 (2.6)
public	-0.5	8.8	6.1 (5.2)	5.3 (5.3)
housing	16.1	17.1	7.6 (7.5)	4.1 (3.8)
Change in inventories ^{1/}	0.3	0.1	-0.1 (-0.2)	0.0 (0.0)
Exports, goods and services	5.6	3.4	4.3 (3.7)	3.7 (3.6)
Imports, goods and services	5.5	3.7	4.2 (3.8)	4.0 (3.5)
GDP	4.1	3.3	2.8 (2.4)	2.4 (2.3)
GDP, calendar adjusted	3.8	3.0	3.1 (2.6)	2.5 (2.4)
Domestic demand ^{1/}	3.5	3.2	2.6 (2.4)	2.3 (2.1)
Net exports ^{1/}	0.3	0.0	0.3 (0.1)	0.1 (0.2)

1/ Contribution to GDP growth.
January 2017 forecast in parentheses.

Sources: Statistics Sweden and Swedbank

Interest and exchange rate assumptions

	Outcome				
	2017 03.apr	2017 30 Jun	2017 31 Dec	2018 30 Jun	2018 31 Dec
Interest rates (%)					
Policy rate	-0.50	-0.50	-0.50	-0.25	0.00
10-yr. gvt bond	0.57	0.95	1.25	1.55	1.75
Exchange rates					
EUR/SEK	9.51	9.40	9.40	9.20	9.15
USD/SEK	8.92	8.95	8.55	8.29	8.17
KIX (SEK) ^{1/}	113.7	112.0	110.4	108.3	108.0

1/ Total competitiveness weights. Trade-weighted exchange rate index for SEK.

Sources: Macrobond and Swedbank

Appendix 3

Estonian forecast

ESTONIA: Key economic indicators, 2015-2018 ^{1/}

	2015	2016	2017f	2018f
Real GDP growth, %	1.4	1.6	2.2 (2.2)	2.8 (2.8)
Household consumption	4.6	4.0	3.2 (3.2)	3.8 (3.8)
Government consumption	3.4	1.0	3.0 (3.0)	2.0 (2.0)
Gross fixed capital formation	-3.4	-2.8	9.7 (5.0)	1.0 (4.5)
Exports of goods and services	-0.6	3.6	3.8 (3.5)	3.9 (3.7)
Imports of goods and services	-1.4	4.9	6.5 (5.0)	3.8 (4.5)
Consumer price growth, %	-0.5	0.1	3.2 (3.0)	2.6 (2.7)
Unemployment rate, % ^{2/}	6.2	6.8	7.6 (7.5)	7.9 (7.7)
Change in employment, %	2.6	0.6	-0.2 (-0.2)	0.0 (-0.1)
Real net monthly wage growth, %	8.0	7.4	3.0 (2.2)	8.8 (8.7)
Nominal GDP, billion euro	20.2	20.9	22.0 (21.8)	23.1 (23.0)
Exports of goods and services (nominal), % growth	-2.1	3.6	5.4 (4.5)	5.5 (5.3)
Imports of goods and services (nominal), % growth	-3.1	3.9	8.1 (5.5)	5.4 (6.1)
Balance of goods and services, % of GDP	4.1	4.2	2.2 (3.2)	1.4 (2.4)
Current account balance, % of GDP	2.2	2.7	0.4 (1.5)	-0.3 (0.7)
Current and capital account balance, % of GDP	6.5	6.2	1.8 (4.8)	0.2 (3.2)
FDI inflow, % of GDP	-2.9	3.1	3.0 (3.7)	3.0 (3.9)
General government budget balance, % of GDP ^{3/}	0.1	0.3	-0.6 (-0.6)	-0.4 (-0.4)
General government debt, % of GDP	10.1	9.5	10.0 (10.5)	10.4 (10.9)

1/ January 2017 forecast in parenthesis

2/ According to Labour Force Survey

3/ According to Maastricht criterion

Appendix 4

Latvian forecast

LATVIA: Key economic indicators, 2015-2018 ^{1/}

	2015	2016	2017f	2018f
Real GDP growth, %	2.7	2.0	3.0 (2.9)	3.5 (3.1)
Household consumption	3.5	3.4	3.5 (3.5)	5.0 (4.2)
Government consumption	3.1	2.7	4.0 (3.0)	3.0 (3.0)
Gross fixed capital formation	-1.8	-11.5	10.0 (12.0)	12.0 (10.0)
Exports of goods and services	2.6	2.6	4.0 (4.0)	4.0 (4.0)
Imports of goods and services	2.1	4.4	6.0 (6.0)	7.2 (6.5)
Consumer price growth, %	0.2	0.1	2.5 (2.5)	2.2 (2.0)
Unemployment rate, % ^{2/}	9.9	9.6	8.5 (8.5)	7.5 (7.9)
Change in employment, %	1.3	-0.3	0.5 (0.6)	0.6 (0.7)
Real net monthly wage growth, %	7.5	4.5	3.2 (2.9)	4.7 (4.4)
Nominal GDP, billion euro	24.4	25.0	26.4 (26.0)	28.0 (27.5)
Exports of goods and services (nominal), % growth	2.1	1.0	5.0 (4.5)	5.6 (5.6)
Imports of goods and services (nominal), % growth	0.8	-1.8	7.9 (7.7)	8.8 (8.1)
Balance of goods and services, % of GDP	-1.1	0.5	-1.0 (-1.2)	-2.8 (-2.6)
Current account balance, % of GDP	-0.8	1.5	-0.4 (-0.6)	-2.1 (-1.9)
Current and capital account balance, % of GDP	2.0	2.5	1.4 (1.9)	-0.3 (0.3)
FDI inflow, % of GDP	2.8	0.6	2.3 (2.3)	2.3 (2.4)
General government budget balance, % of GDP ^{3/}	-1.3	-0.1	-1.0 (-1.0)	-1.0 (-1.1)
General government debt, % of GDP	36.3	39.8	37.9 (38.3)	36.3 (37.0)

1/ January 2017 forecast in parenthesis

2/ According to Labour Force Survey

3/ According to Maastricht criterion

Appendix 5

Lithuanian forecast

LITHUANIA: Key economic indicators, 2015-2018 ^{1/}

	2015	2016	2017f	2018f
Real GDP grow th, %	1.8	2.3	3.0 (2.8)	2.7 (2.5)
Household consumption	4.1	5.6	4.0 (3.5)	3.5 (3.5)
Government consumption	0.9	1.3	2.0 (2.0)	1.0 (1.0)
Gross fixed capital formation	4.7	-0.5	8.0 (7.0)	6.0 (6.0)
Exports of goods and services	-0.4	2.9	5.5 (5.0)	5.0 (4.5)
Imports of goods and services	6.2	2.6	6.5 (6.0)	6.0 (5.5)
Consumer price grow th, %	-0.9	0.9	3.0 (3.0)	2.5 (2.5)
Unemployment rate, % ^{2/}	9.1	7.9	7.4 (7.4)	6.9 (7.2)
Change in employment, %	1.2	2.0	-0.2 (-0.2)	-0.2 (-0.2)
Real net monthly wage grow th, %	6.0	7.3	4.6 (4.7)	3.2 (3.2)
Nominal GDP, billion euro	37.3	38.6	40.9 (40.6)	43.1 (42.7)
Exports of goods and services (nominal), % grow th	-4.3	0.9	7.5 (7.0)	6.0 (6.0)
Imports of goods and services (nominal), % grow th	-1.2	-1.8	10.0 (9.0)	7.5 (7.0)
Balance of goods and services, % of GDP	-0.7	0.8	-0.9 (0.0)	-2.0 (-0.7)
Current account balance, % of GDP	-2.3	-0.9	-1.9 (-0.7)	-2.4 (-1.4)
Current and capital account balance, % of GDP	0.7	0.6	0.3 (1.5)	-0.1 (1.6)
FDI inflow , % of GDP	2.3	0.9	1.0 (1.0)	1.0 (1.0)
General government budget balance, % of GDP ^{3/}	-0.2	0.0	-0.8 (-0.8)	-0.5 (-0.5)
General government debt, % of GDP	42.7	40.0	42.9 (43.1)	38.5 (38.9)

1/ January 2017 forecast in parenthesis

2/ According to Labour Force Survey .

3/ According to Maastricht criterion.