

Nordics – 2Q21

Denmark, Norway, Sweden and Finland
Macroeconomic Outlook Report



Design and layout:

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Photographs: Management Solutions' picture library,
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1. General Outlook

Nordics Macroeconomic overview

All of the Nordics economies started their respective recoveries during the second quarter of the year. Economic growth was driven by a significant spike in private consumption as containment measures were eased, while also being supported by a substantial boost in exports. When it comes to inflation, all of the economies suffered from raising worldwide pressure whereas Norway manage to set down inflation owing to its strategic oil producer-position. The crisis enhanced pre-existing labour market fragilities in the case of Sweden and Finland, while unemployment remained relatively stable in Denmark and Norway.

Nordics Macroeconomic overview

INDICATOR	2Q20	3Q20	4Q20	1Q21	2Q21	2021	2022
GDP							
DENMARK	-6.66	-1.31	-0.52	-0.09	9.79	2.82	2.91
NORWAY	-4.32	-0.16	-1.10	-0.20	5.71	3.40	3.72
SWEDEN	-8.16	-1.89	-1.83	-0.24	9.51	3.94	3.41
FINLAND	-7.10	-2.70	-1.70	-1.20	7.80	2.59	2.68
OECD	-14.10	-3.55	-3.67	-1.05	15.29	5.72	4.55
CPI							
DENMARK	0.10	0.53	0.47	0.73	1.63	1.24	1.37
NORWAY	1.17	1.53	1.27	2.97	2.87	2.86	1.94
SWEDEN	0.10	0.57	0.33	1.57	1.77	1.57	1.36
FINLAND	-0.17	0.32	0.20	1.04	2.08	1.76	1.51
OECD	1.51	1.38	1.41	2.28	3.34	2.75	2.44
UNEMPLOYMENT							
DENMARK	5.53	6.17	5.97	5.90	5.03	5.88	5.19
NORWAY	4.60	5.40	4.80	5.00	5.10	4.69	4.00
SWEDEN	9.10	8.60	7.90	9.70	9.90	8.38	7.50
FINLAND	8.87	7.60	7.33	8.43	9.17	7.73	7.01
OECD	8.60	7.70	6.95	6.71	6.51	6.55	5.98

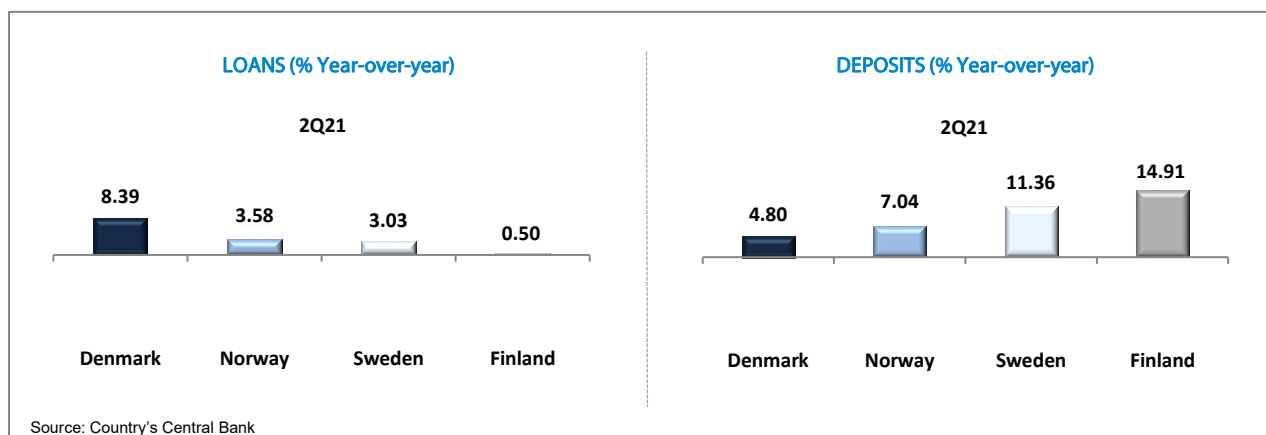
Source: Countries' Central Banks and OECD.

- ▶ **Denmark:** A rebounding in private consumption and a rising competitive export sector alongside a generous fiscal stimulus led the economic activity of Denmark to rise significantly. Following the global trend, Danish inflation rose substantially as a result of worldwide disruptions in supply chains alongside workers shortages. Furthermore, Danish unemployment fell essentially owing to the reopening of the service sector as containment measures eased.
- ▶ **Norway:** GDP's growth increased to a lesser extent than its peers Nordics down to renewed containment measures. Despite worldwide inflation, global oil price recovery led to an appreciation of the Norwegian krone, levelling off inflation. The NOK manage to seat inflation as it is a commodity-based currency. Although being below European average levels, Norway's unemployment level slightly rose as partial restrictive measures persisted.
- ▶ **Sweden:** The economic recovery was led by export boost while being supported by private-public consumption. Swedish core inflation was more volatile than expected as COVID-19 has disrupted seasonal patterns for many price components. Swedish unemployment level stood relatively high, reflecting pre-covid structural labour shortages issues. However, in a historical context, the problem was amplified due to the pandemic.
- ▶ **Finland:** An export-oriented recovery was undertaken and enhanced by private consumption. Government spending was tighter as the public deficit was already significant. Suffering global inflationary pressure, the Finnish inflation doubled despite remaining below the European levels. Finnish unemployment was especially harmed. Nevertheless, owing to skills mismatch the economy was close to full employment envisioned at 7%.

Banking sector

During the second quarter of 2021, the y/y growth rate of loans in Denmark, Norway, Sweden and Finland increased with respect to the previous quarter up to 8.39%, 3.58%, 3.03% and 0.50% respectively. Moreover, during the period, Denmark and Norway recorded increases in their year-on-year growth rates of deposits with respect to the previous quarter, with Norway registering the largest acceleration (2.95 p.p.). On the other hand, Sweden and Finland recorded decreases in their year-over-year deposits growth.

Banking sector



- ▶ **Denmark:** during the second quarter of the year, the y/y growth rate of loans registered a positive value of 8.39%, the highest among the four countries, up 5.51 p.p. from the previous quarter.
- ▶ **Norway:** the growth rate of total loans accelerated by 4.58 p.p. from the one registered in 1Q21, up to 3.58%.
- ▶ **Sweden:** the growth rate of total loans accelerated by 0.84 p.p. when compared to 1Q21 and registered a rate of 3.03% during the second quarter.
- ▶ **Finland:** the total loans' growth rate stood at 0.50% after a 0.64 p.p. increase in the second quarter.
- ▶ **Denmark:** in 2Q21, Denmark recorded an increase of 1.69 p.p. in the y/y growth rate of deposits, up to 4.80%.
- ▶ **Norway:** the Norwegian total deposits growth rate experienced an acceleration of 2.95 p.p. during 2Q21, up to 7.04%.
- ▶ **Sweden:** in 2Q21, the total deposits growth rate registered a deceleration of 1.18 p.p., down to a growth rate of 11.36%.
- ▶ **Finland:** during this period, Finland's growth rate of deposits decreased by 0.29 p.p., down to a rate of 14.91%.

2. International Overview

LatAm

During the second quarter of 2021, all the countries analysed consolidated the recovery that began in the second half of 2020, following the fall in GDP in Latin America during the first half of that year due to the pandemic. In fact, the recovery was more dynamic than in the previous quarter and the economic outlook for 2021 improved. On the other hand, the unemployment rate remained at higher levels than before the pandemic, and the inflation rate increased in most countries.

Macroeconomic Overview

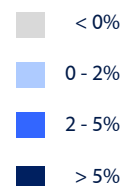
- ▶ During the second quarter of 2021, the economic recovery was consolidated in the countries studied, which experienced increases in their GDP compared to the previous quarter. Thus, all these countries achieved a positive year-on-year GDP growth rate. Peru was the country whose year-on-year growth rate accelerated the most compared to the previous quarter, growing 38.07 p.p.. Thus, Peru recorded the highest year-on-year GDP growth rate, reaching a rate of 41.88%.
- ▶ In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has upgraded its forecast for the Latin America economy for 2021 to 5.20% growth for the region. In addition, growth is expected to reach 2.90% by 2022. This is mainly due to the progress in the global immunisation process that has been developing during the second quarter of 2021. However, this expansion will not be enough to ensure sustained growth as the social impacts of the crisis and the region's structural problems have worsened and will be prolonged during the recovery phase. In the same vein, in its May update, the OECD upgraded its forecasts for Mexico and Argentina for 2021, and slightly for Brazil. However, it placed the year-on-year GDP growth of Brazil and Mexico for 2021 below the OECD average.
- ▶ According to ECLAC, the Latin American economy continued its recovery during the second quarter of the year, even with greater strength. However, there is a risk of the reactivation coming to a standstill due to insufficient investment, employment and further environmental deterioration. In addition, it argues that the fiscal measures adopted by the countries have been important but insufficient in quantity and duration.
- ▶ In terms of inflation, all countries surveyed recorded increases in their inflation rate from the previous quarter. Peru was the country with the lowest inflation rate, at 2.69%. Argentina was the country that registered the highest increment in its inflation rate compared to 1Q21, with an increase of 10.20 p.p. up to 48.40%, again registering the highest inflation rate in this group of countries.
- ▶ During the second quarter of 2021, the labour market continued to be affected by the economic consequences of the pandemic, although in a more moderate way, as Chile, Mexico, Peru and Argentina recorded slight decreases in their unemployment rate compared to 1Q21. In this context, Colombia, after an increase of 0.43 p.p., positioned itself as the country with the highest unemployment rate, at 14.87%. Mexico registered the lowest unemployment rate within all the countries studied, at 4.25%.

Financial Sector

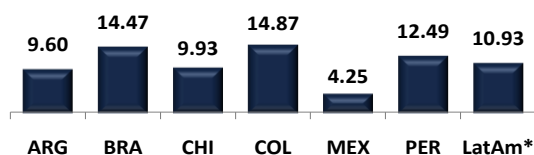
- ▶ In terms of their ratings, all Latin American countries kept their ratings constant in the second quarter of the year, except Colombia, which went from a rating, at S&P and Fitch, of BBB- to BB+ during this period. This rating considers that, while the country has a high capacity to meet its financial obligations, it also faces instability due to uncertainty and exposure to adverse conditions.
- ▶ With regard to economic policies, the introduction of additional stimuli is more limited than in the previous year, in the face of the tightening of global financial conditions and the increase in inflation and its expectations in some countries. Thus, despite the effectiveness of the policies promoted, the public accounts of these countries have deteriorated, with increases in their public deficits, Latin America being the region with the highest external debt in GDP.
- ▶ All the countries analysed, except Argentina, Chile and Peru, increased the pace of granting credits compared to the previous quarter. Mexico continued to record the slowest year-on-year growth, with a decrease of -5.77%. Regarding deposits, all countries recorded positive year-on-year growth during the period, although their rate declined compared to the previous quarter, except Chile. Chile's growth rate was 4.17%, after an acceleration of 6.15 p.p. compared to 1Q21.



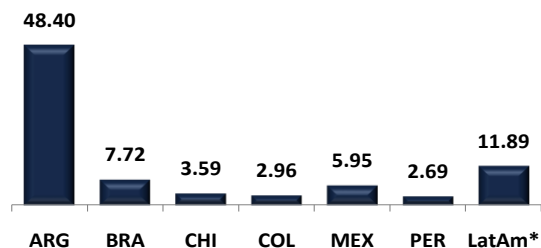
GDP 2Q21 (% year-over-year growth rate)



UNEMPLOYMENT RATE 2Q21 (%)

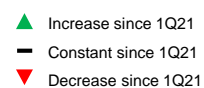


INFLATION RATE 2Q21 (%)

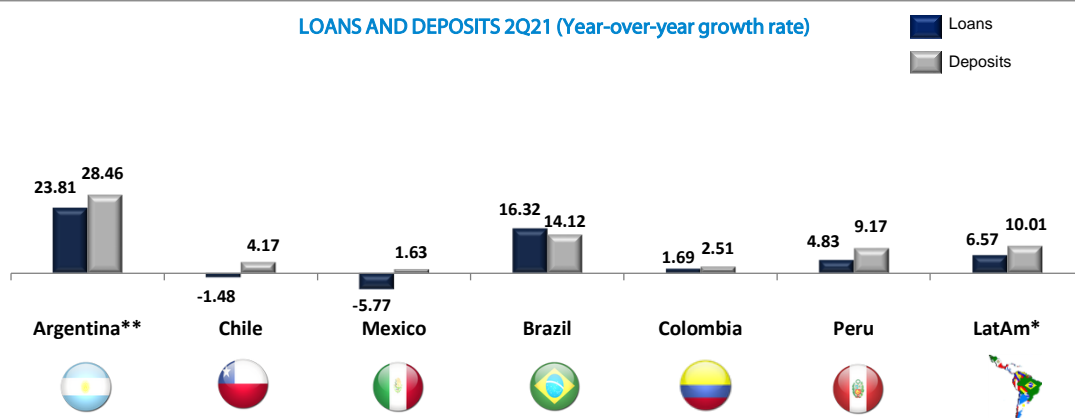


LONG TERM RATINGS 2Q21

	MOODY'S		S&P		FITCH	
Argentina	Ca	—	CCC+	—	CCC	—
Brazil	Ba2	—	BB-	—	BB-	—
Chile	A1	—	A	—	A-	—
Colombia	Baa2	—	BB+	▼	BB+	▼
Mexico	Baa1	—	BBB	—	BBB-	—
Peru	Baa1	—	BBB+	—	BBB+	—



LOANS AND DEPOSITS 2Q21 (Year-over-year growth rate)



*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.

**Most updated figures available at the date of the release correspond to 1Q21.

2. International Overview

OECD & China

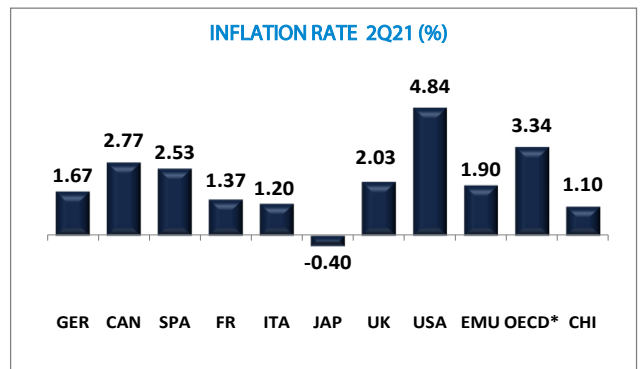
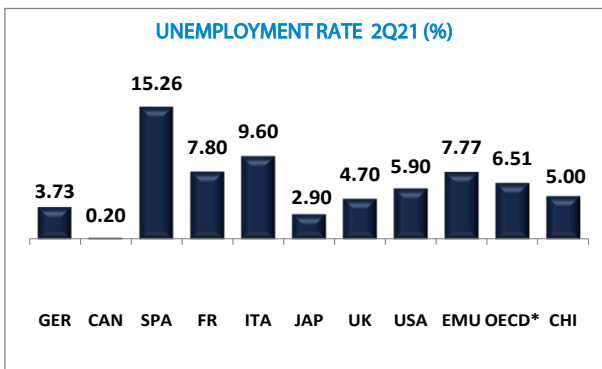
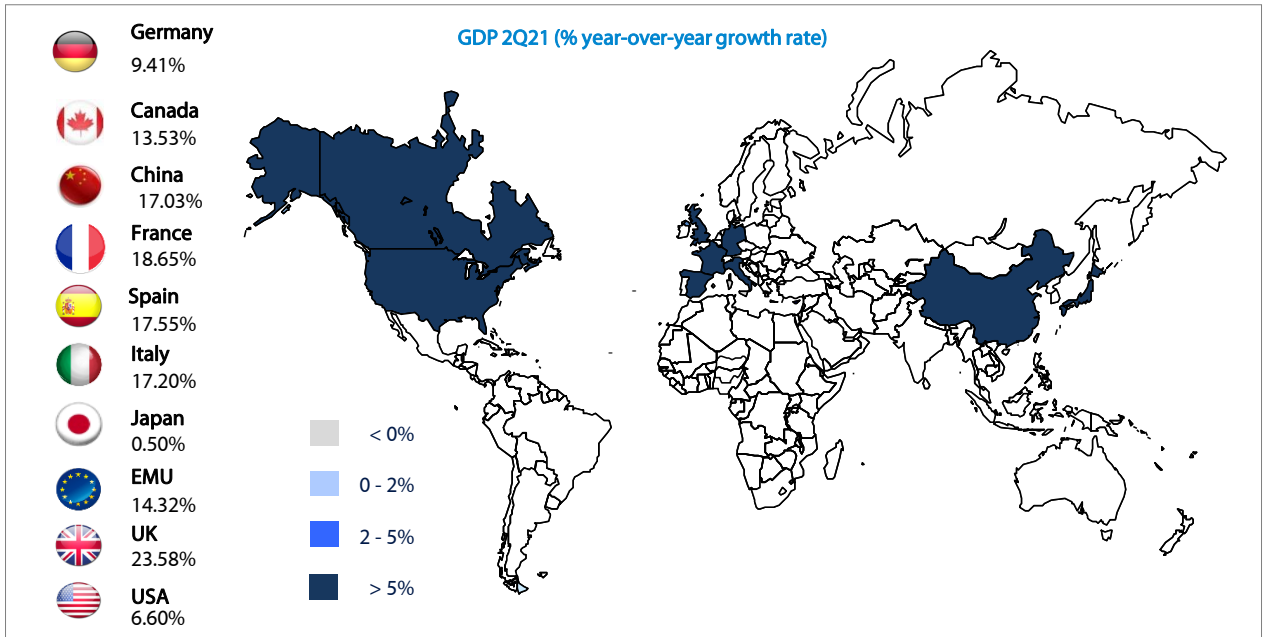
In the second quarter of 2021, the recovery in economic activity in OECD countries strengthened. The progress in the Eurozone's vaccination process led its GDP growth rate to reach positive values, as did Japan's. For its part, the USA consolidated its recovery, presenting a positive GDP rate for the second consecutive quarter. On the other hand, China's rate slowed down compared to 1Q21.

Macroeconomic Overview

- ▶ In the second quarter of 2021, the Eurozone saw the recovery accelerate with a positive GDP rate, due to the progress of immunisation in the Eurozone against Covid-19. Consequently, the European Commission expects a positive evolution of the economy marked by an effective virus containment strategy and progress with vaccines. In the same vein, the OECD, in its September forecast, expects year-on-year GDP growth for 2021 and 2022 to be 5.29% and 4.63%, respectively, improving on its May forecast. Among the countries analysed in the region, all recorded positive year-on-year growth rates during the second quarter of the year. As a result, from the European countries analysed in 2Q21, France and Spain registered the highest year-on-year GDP growth rates (18.65% and 17.55%, respectively).
- ▶ USA consolidated the recovery of its economic activity in this period, reaching a year-on-year GDP growth rate of 6.60%, thus remaining positive after an increase of 6.20 p.p. compared to 1Q21. Moreover, the OECD revised upwards its forecast for 2021 and expects the US economy to grow by 5.96% in 2021 and 3.94% in 2022.
- ▶ The UK recorded the largest change in GDP during this period compared to the same quarter of the previous year at 23.58%. As a result, growth is estimated at 6.67% in 2021 and 5.22% in 2022.
- ▶ On the other hand, Japan's GDP growth in 2Q21 was 0.50%, 2.00 p.p. higher than in 1Q21. In turn, the OECD estimates GDP growth of 2.53% and 2.08% for 2021 and 2022, respectively.
- ▶ China recorded a lower GDP growth rate during the second quarter of the year compared to 1Q21, with a growth rate of 17.03%, after a decrease of 1.27 p.p. compared to the previous quarter, however, it increased by 13.83 p.p. compared to the same quarter of 2020. In its September forecast, the OECD estimates growth of 8.53% and 5.78% for 2021 and 2022, respectively.
- ▶ In terms of international trade, despite the pandemic, political and trade tensions remained present. China, to mitigate the effects of the tensions it has been dragging with the US since 2018, implemented trade agreements in Asia and Europe. The EU-China CAI would allow for an unprecedented level of investment in China by the EU, helping to level the playing field for Europeans to invest in China. However, the European Parliament agreed in May to freeze the ratification of this agreement.
- ▶ Year-on-year inflation growth in 2Q21 increased for all the economies in question compared to 2Q20, with the exception of Japan and China. The EMU recorded an acceleration of 1.60 p.p. compared to the same period of the previous year. Japan was the only country with a negative inflation rate (-0.40%).
- ▶ The labour market improved slightly during this period, with all countries analysed recording lower unemployment rates compared to the same quarter of the previous year, except Italy, the UK, France and China. Moreover, compared with the previous quarter, all countries except China and Japan experienced falls in their unemployment rates.

Financial Sector

- ▶ In terms of their ratings, all the countries analysed kept their ratings constant during 2Q21.
- ▶ In regard to the economic policies of the different countries, it seems that the shared objective of the Fed and the ECB to keep interest rates close to 0.00% will not be maintained in the coming months. While the ECB has reiterated its intention to keep interest rates stable and continue with the PEPP, the Fed expects interest rates to rise in 2022.
- ▶ During this period, year-on-year credit growth slowed down in all countries, except in Canada and Italy, compared to the same quarter of the previous year, China being the country with the highest growth rate (11.85%). Deposit growth declined for all countries compared to 2Q20, with the exception of Italy, which also recorded the second-highest year-on-year growth rate (7.88%) after China (9.49%).

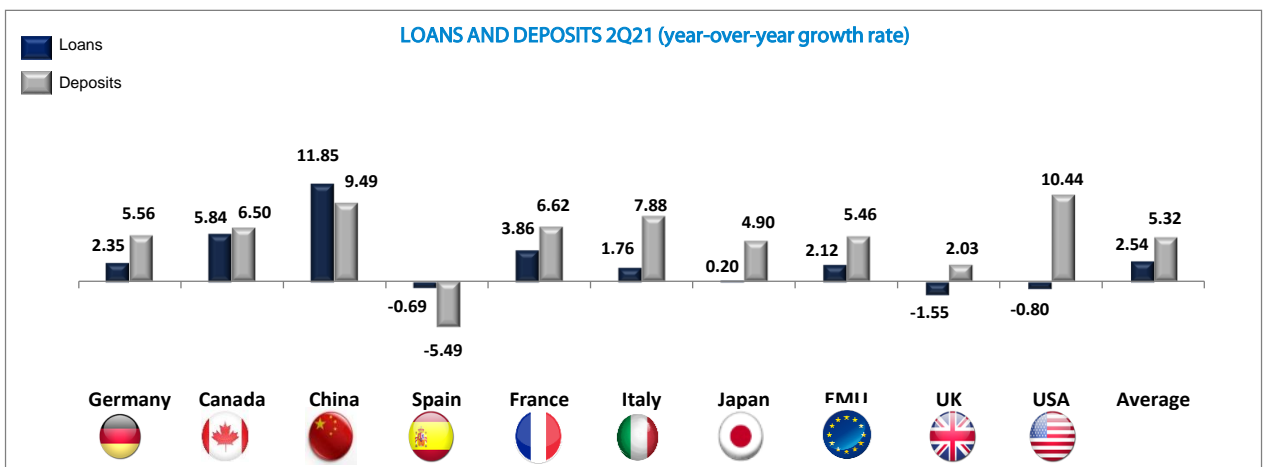


LONG TERM RATINGS 2Q21

	MOODY'S	S&P	Fitch
Germany	Aaa -	AAA -	AAA -
Canada	Aaa -	AAA -	AA+ -
China	A1 -	A+ -	A+ -
Spain	Baa1 -	A -	A- -
France	Aa2 -	AA -	AA -
Italy	Baa3 -	BBB -	BBB- -
Japan	A1 -	A+ -	A -
UK	Aa3 -	AA -	AA- -
USA	Aaa -	AA+ -	AAA -

Legend for rating changes:

- ▲ Increase since 1Q21
- Constant since 1Q21
- ▼ Decrease since 1Q21



3. Nordics Macroeconomic Overview

Denmark

Unlike much of Europe, Denmark succeeded in avoiding a third wave and started easing a lockdown that began last December. The reason behind easing restrictions was due to the corona passport. Therefore, sustained recovery was enhanced during the second quarter of the year despite giving symptoms of recovery since the end of 2020.

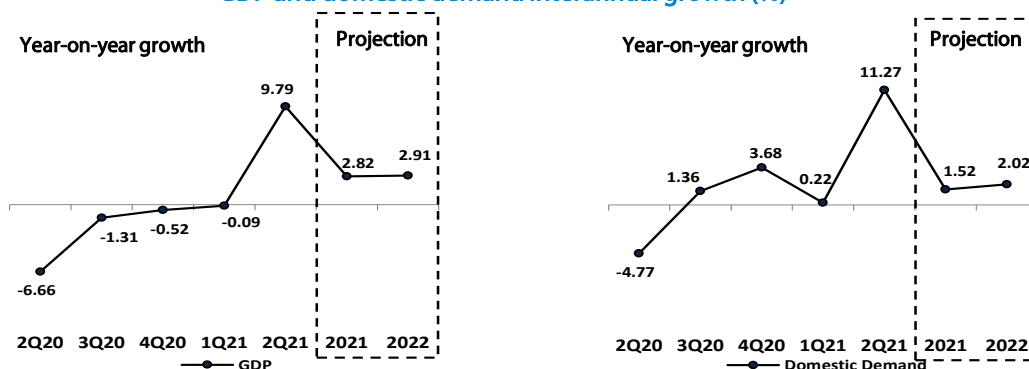
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	2Q20	3Q20	4Q20	1Q21	2Q21	2021	2022
GDP	-6.66	-1.31	-0.52	-0.09	9.79	2.82	2.91
DOMESTIC DEMAND	-4.77	1.36	3.68	0.22	11.27	1.52	2.02
PRIVATE CONSUMPTION	-5.39	1.18	0.68	-2.01	9.10	1.48	2.60
GOVERNMENT CONSUMPTION	-4.34	-3.26	1.82	2.61	8.20	2.46	0.43
GROSS CAPITAL FORMATION	-3.76	6.88	12.27	2.13	19.18	2.52	2.58
EXTERNAL DEMAND							
EXPORTS	-12.98	-8.42	-7.27	-2.26	8.39	7.80	3.80
IMPORTS	-10.39	-5.06	-0.11	-1.95	10.91	7.60	2.30
INFLATION							
CPI	0.10	0.53	0.47	0.73	1.63	1.24	1.37
LABOUR MARKET							
UNEMPLOYMENT	5.53	6.17	5.97	5.90	5.03	5.88	5.19
EMPLOYMENT	-1.44	-1.53	-1.10	-1.31	1.67	-0.84	1.53

Source: StatBank Denmark. Projections from the OECD May 2021.

- ▶ The second national lockdown, which came into force on 25 December last year, was in place for much of the first quarter of 2021 while non-essential retail were allowed to reopen on 1 March. Several coordinated measures enabled the country to keep infections and death rates among the lowest in Europe. Those policies targeted weekly testing population alongside implementing the corona passport. Moreover, having at least one-fifth of the population receiving the first dose by April 2021 allowed the Denmark economy to substantially recover, standing at a rate of 9.79% in 2Q21.
- ▶ Driven by a spike in private consumption at home, rising exports and low infection rates, growth's recovery was boosted during the second quarter of the year. Furthermore, sustained fiscal stimulus, largely focused on green measures, continued as recovery gained momentum. OECD projections suggest 2021 set the beginning of a recovery with growth of 2.82%, followed by a further 2.91% growth in 2022.
- ▶ When it comes to the labour market, unemployment continued its downward trend partially due to the reopening of restaurants, bars and cafes, which took place in April. Hence, job-creation was quite related to sector services growing activity. Besides, economic activity and employment now exceed the level before the outbreak of the coronavirus pandemic. Nevertheless, inflation continued its increasing trend as worldwide inflationary pressure persists owing to disruptions and shortages in global supply-chains.
- ▶ Concerning exports, Denmark managed to deal with a positive trade balance as many partners around kept their business open, enabling Danish subcontractors to export their goods. Thus, exports are expected to reach 7.80% by the end of 2021.

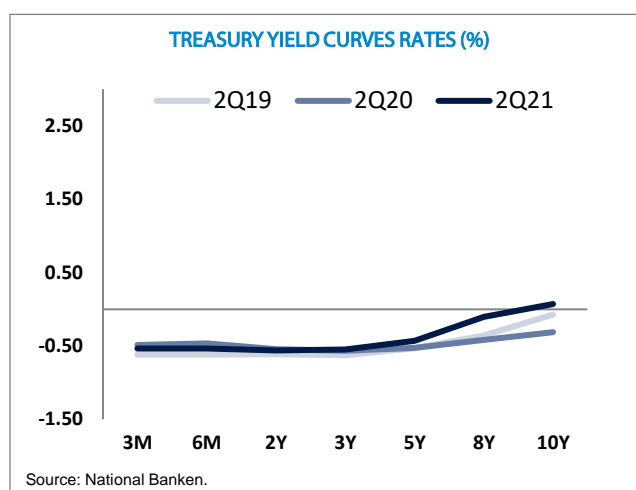
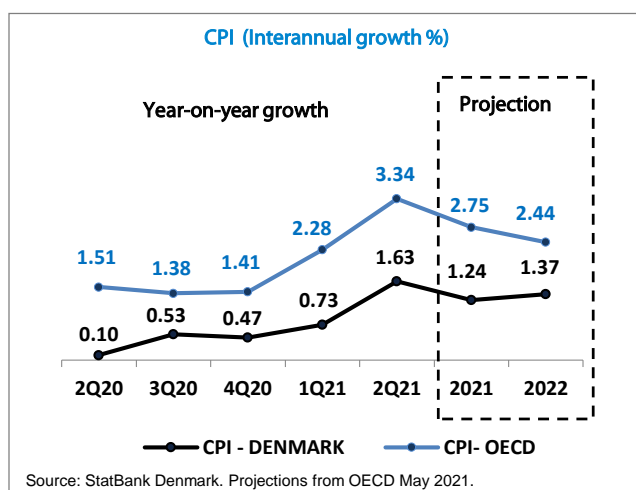
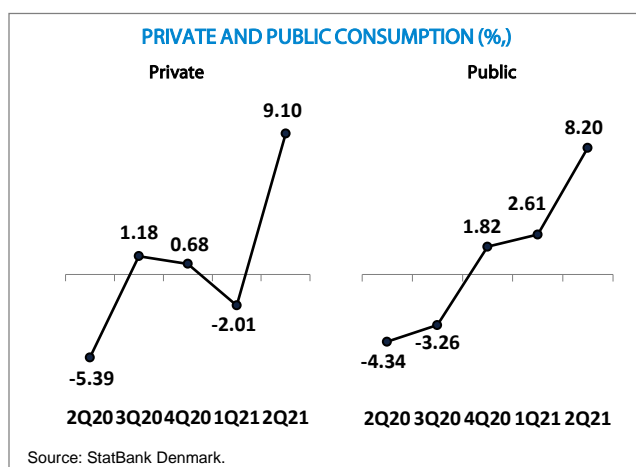
GDP and domestic demand interannual growth (%)



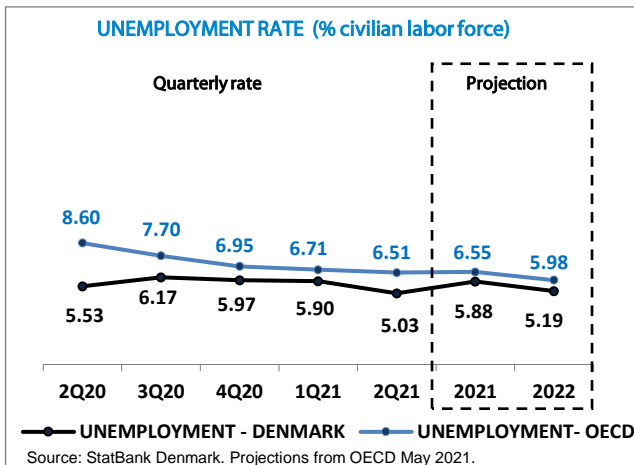
Source: StatBank Denmark. Projections from the OECD May 2021

In the second quarter of 2021, private consumption recorded a considerable increase in its y/y growth rate compared to the previous quarter, standing at a 9.10% rate. In the same line, the inflation rate rose significantly, standing at a 1.63% rate in 2Q21 following worldwide inflationary pressure. Almost all short and medium run yields decreased while long term yields increased, envisioning positive numbers as the ECB purchases assets.

- During the second quarter of the year, private consumption significantly recovered after its deceleration in the first quarter of 2021 owing to the gradual reopening of the economy since March, reaching a 9.10% y/y growth rate and increasing by 11.11 p.p. when compared to the previous quarter.
- The OECD forecast for private consumption predicts a year-on-year growth rate of 1.48% for 2021. Moreover, it expects private consumption to further recover in 2022, growing at a 2.60% rate.
- When it comes to government consumption, sustained fiscal support since the reopening of the activity may be highlighted, increasing significantly up to 8.20% in 2Q21. In order to buffer the effects of the second wave, the government agreed on a green recovery package for 2021-22, partly funded by the EU, amounting to 2.6% of GDP.
- In the second quarter of 2021, Denmark registered an inflation rate of 1.63%, which was 0.90 p.p. above the rate recorded in the previous quarter. Despite this increase, the CPI remained below the OECD average inflation rate in the second quarter of 2021 (3.34%).
- According to Danske Bank, inflation will likely be lower in 2021 on the back of slowing housing prices. However, rising energy prices alongside increasing tobacco prices will push inflation high in 2022 despite slowly fading. However, the trend is expected to stabilize, as global inflation is intended to be temporary.
- In the second quarter of 2021, all bond yields of the Danish sovereign debt, with the exception of bonds with a 10-year, stood at negative levels, following the same tendency as in 1Q21.
- Compared to the second quarter of 2019, bond yields experienced increases for all maturities. When compared to the second quarter of 2020, bond yields followed an uneven pattern. Short and medium run maturities, with the exemption of bonds with a 3Y maturity, suffered declines. On the other hand, long-term maturities knew significant increases.



Regarding the labour market, during the second quarter of 2021, the unemployment rate lowered compared to the previous quarter, down to a 5.03% rate. Moreover, in year-over-year terms, unemployment decreased by 0.50 p.p.. Concerning the y/y growth rate of employment, it stood at 1.67% in the second quarter of 2021, breaking with its downward trend. During 2Q21, the Danish krone appreciated against the dollar.



During the second quarter of 2021, the unemployment rate decreased by 0.87 p.p. when compared to the previous quarter, down to a 5.03% rate. Moreover, unemployment levels remained below the OECD average (6.51%).

According to Danske Bank, strong growth has proved to be a challenge for companies, with labour shortages, and an effect on wage growth is also starting to be seen. This is a temporary effect of the reopening, as many companies had to find new staff, at the same time, while public sector employment also increased substantially. Unemployment is still not particularly low, as the labour force is growing.

According to the predictions of the OECD, unemployment is expected to reach a rate of 5.88% in 2021 and slightly decline in the following year, falling to a 5.19% rate.

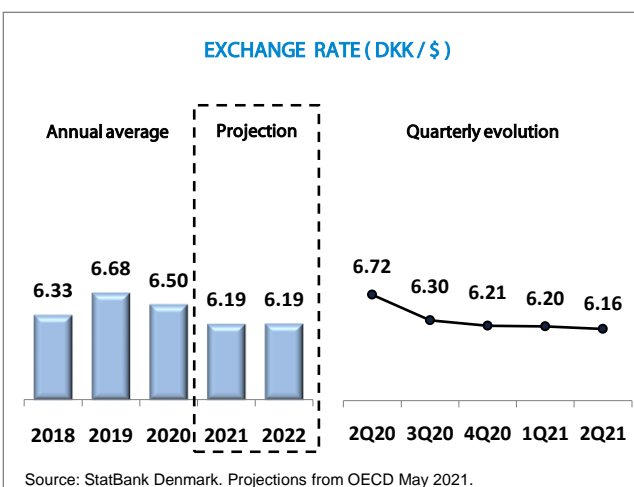
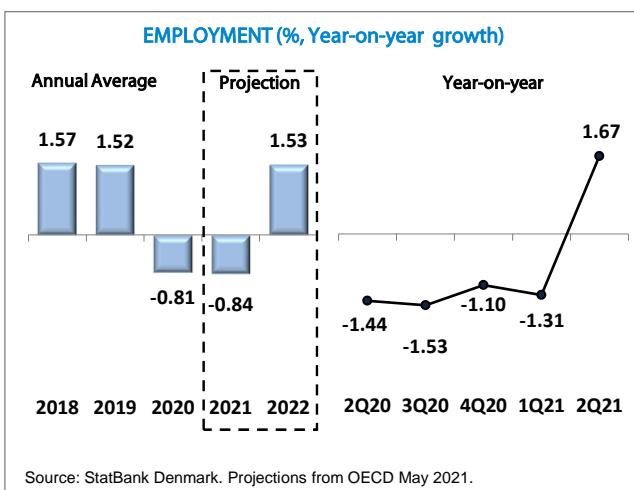
Regarding the y/y employment growth rate, it accelerated by 2.98 p.p. when compared to the previous quarter, standing at 1.67%, the first positive rate after four consecutive quarters of negative employment growth rates.

Nevertheless, the OECD predicts employment to remain at negative levels in 2021, with an annual growth rate of -0.84%, and to begin recovering in 2022, rising to a 1.53% rate.

The impact of restrictions was milder and more heterogeneous than in March 2020. Some sectors were particularly affected, notably culture, accommodation and food services, while, in contrast, employment in construction and the public administration continued to grow.

During the second quarter of 2021, the Danish krone appreciated against the dollar, decreasing by 0.04 DKK/\$ from the exchange rate recorded in the previous quarter, standing at an average rate of 6.16 DKK/\$.

According to Danske Bank, the Danish krone has traded strongly against the euro (EUR) for most of 2021, with Danmarks Nationalbank buying foreign exchange for DKK 41.8 billion to weaken the Danish krone.



Norway

Norwegian recovery was intensified in the second quarter of the year with the gradual lifting of restrictions, alongside the vaccination rollout. Mainland activity related to the petroleum sector is expected to rise due to the revival of oil prices, while government fiscal stimulus seeks to remain in place until economic recovery is well established.

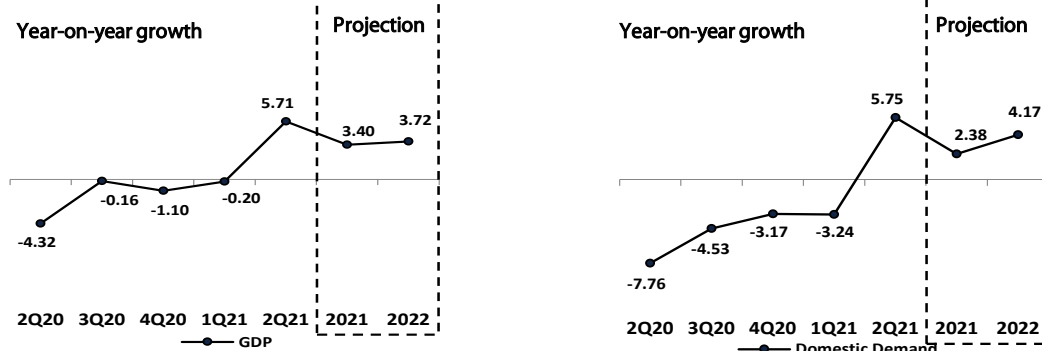
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	2Q20	3Q20	4Q20	1Q21	2Q21	2021	2022
GDP	-4.32	-0.16	-1.10	-0.20	5.71	3.40	3.72
DOMESTIC DEMAND	-7.76	-4.53	-3.17	-3.24	5.75	2.38	4.17
PRIVATE CONSUMPTION	-13.75	-6.09	-5.49	-5.36	9.17	0.98	5.61
GOVERNMENT CONSUMPTION	-0.71	1.74	3.48	1.82	6.05	1.87	1.81
GROSS CAPITAL FORMATION	-3.96	-7.66	-5.43	-4.52	0.08	1.73	4.86
EXTERNAL DEMAND							
EXPORTS	-4.05	1.62	-2.80	-4.07	7.93	2.30	4.20
IMPORTS	-20.62	-12.90	-11.55	-13.17	8.86	-0.80	6.00
INFLATION							
CPI	1.17	1.53	1.27	2.97	2.87	2.86	1.94
LABOUR MARKET							
UNEMPLOYMENT	4.60	5.40	4.80	5.00	5.10	4.69	4.00
EMPLOYMENT	-0.74	-1.78	-0.95	-1.06	2.70	0.07	1.44

Source: Statistisk sentralbyrå (Statistics Norway). Projections from the OECD May 2021.

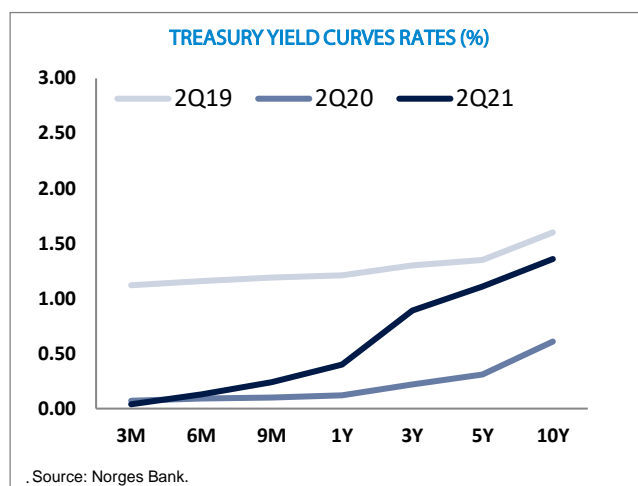
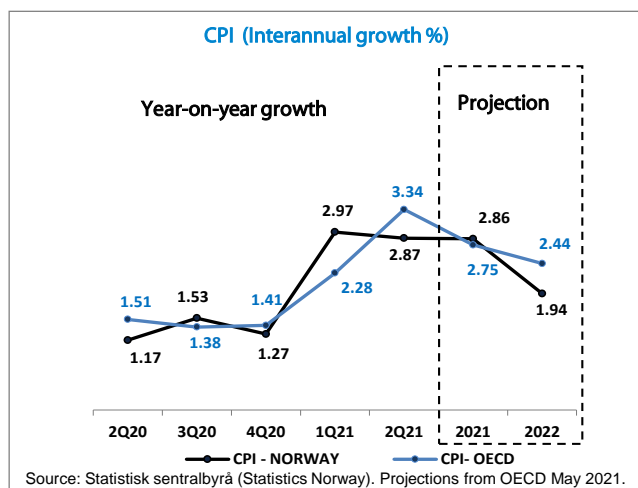
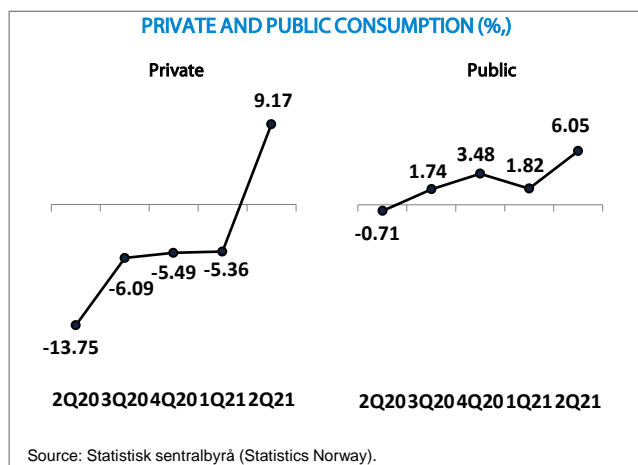
- Despite a surge of infections that peaked in the second half of March, the number of COVID-19 cases and fatalities since the start of the pandemic has remained comparatively low. As a result, containment measures were gradually lifted as the health situation improved. Furthermore, Norway's vaccination rollout is advancing, as of end-May around a third of the population had received at least one dose of a COVID-19 vaccine. This situation led economic recovery to reach substantial levels of growth, with GDP standing at 5.71% in 2Q21.
- Private consumption was the most important growth driver, while also reducing uncertainty and rising optimism in the business sector. OECD forecast envisions GDP growth of 3.40% this year, based on a slightly larger overhang into next year, alongside a slightly higher investment growth revising up growth forecast for 2022 to 3.72%.
- When it comes to the labour market, unemployment continued its upward trend owing to renewed containment measures, including the introduction of a three-tiered system of localized restrictions. Nevertheless, there was a strong growth in the sectors that had not been directly hit by the pandemic restrictions, such as the financial sector, real estate, ICT, engineering and utilities.
- In regard to inflation, price increases were particularly large in Oslo, by February, prices had increased by 15% year-on-year. Headline consumer price inflation has been pushed up recently by increases in the cost of fuel and electricity. However, the recovery in the global oil price has led to an appreciation of the Norwegian krone, levelling off inflation at an expected rate of 2,86% by the end of 2021.

GDP and domestic demand interannual growth (%)



Source: Statistisk sentralbyrå (Statistics Norway). Projections from the OECD May 2021

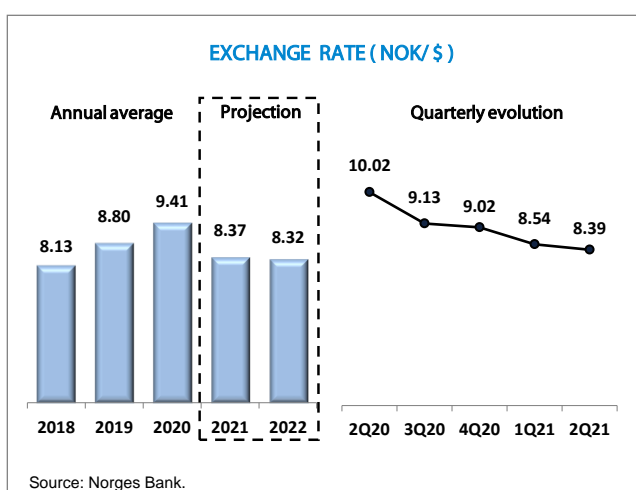
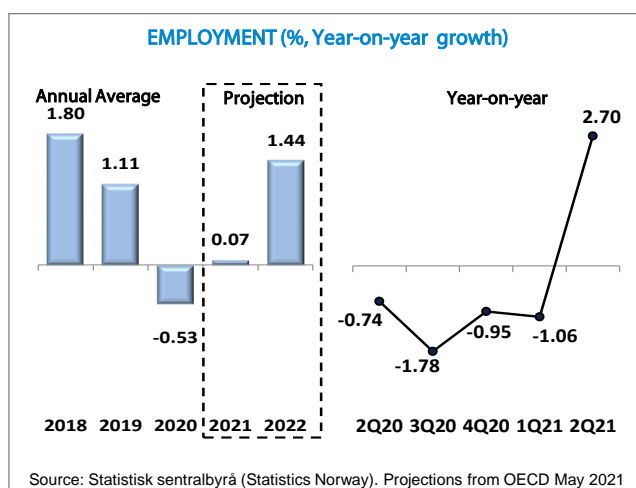
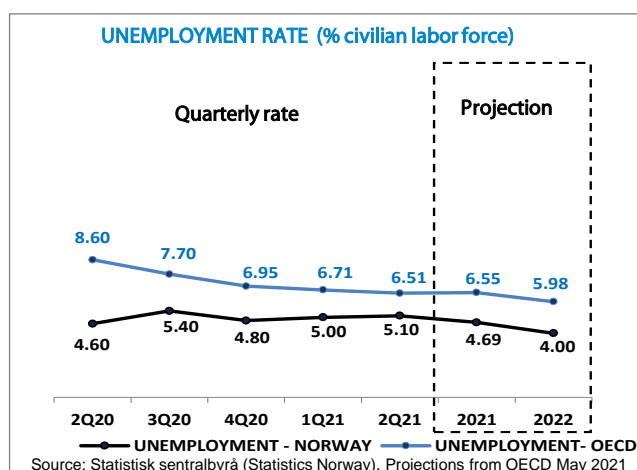
In the second quarter of 2021, private consumption recorded a considerable increase in its y/y growth rate compared to the previous quarter, standing at a 9.17% rate. The inflation rate decreased, standing at a 2.87% rate in 2Q21. All yields stood at positive levels while escalating with the time frame, being the highest at 1.36 for 10Y maturities.



- During the second quarter of the year, private consumption significantly recovered after registering five consecutive quarters at negative levels, reaching a 9.17% y/y growth rate and increasing by 14.53 p.p. when compared to the previous quarter.
- The OECD forecast for private consumption predicts a year-on-year growth rate of 0.98% for 2021. Moreover, it expects private consumption to further recover in 2022, growing at a 5.61% rate. These results are essentially driven by a quicker normalization of consumption and a faster spending of cumulative savings of past months.
- When it comes to government consumption, sustained fiscal support since the reopening of the activity may be highlighted, increasing significantly up to 6.05% in 2Q21. The additional government support made available to households and businesses should remain in place until economic recovery is well established, and risks of further disruption have dwindled.
- In the second quarter of 2021, Norway registered an inflation rate of 2.87%, which was 0.10 p.p. below the rate recorded in the previous quarter. Due to this decline, the CPI was below the OECD average inflation rate in the second quarter of 2021 (3.34%).
- According to Norges Bank, inflation will likely remain steady in 2021. The reasons behind such behaviour lie upon higher wages growth alongside housing prices levelling off again. However, markets increasingly to price in policy rate hikes and a scaling down of quantitative easing in the US will push up global real rates, boosting the dollar and reversing the rise in inflation expectation.
- In the second quarter of 2021, all bond yields of the Norwegian sovereign debt, stood at positive levels, following the same pattern as in the previous quarter.
- Compared to the second quarter of 2019, bond yields experienced decreases for all maturities. The sharpest fall corresponded to the 3M, with a decline of 1.22 p.p..
- When compared to the second quarter of 2020, all bond yields increased, with the exemption of bonds for 3 months. Long-run maturities experienced the highest increases, being the sharpest rise for 5Y maturities with a 0.80 p.p. rise.

Regarding the labour market, during the second quarter of 2021, the unemployment rate accelerated compared to the previous quarter, up to a 5.10% rate. Moreover, in year-over-year terms, unemployment increased by 0.50 p.p.. Concerning the y/y growth rate of employment, it stood at 2.70% in the second quarter of 2021, breaking its downward trend. During the second quarter of 2021, the Norwegian krone appreciated against the dollar.

- During the second quarter of 2021, the unemployment rate increased by 0.10 p.p. when compared to the previous quarter, up to a 5.10% rate. However, unemployment levels remained below the OECD average (6.51%).
- According to the predictions of the OECD, unemployment is expected to progressively decrease in 2021, reaching a 4.69% rate, and a further decline in the following year, falling to a 4.00% rate.
- Regarding the y/y employment growth rate, it accelerated by 3.77 p.p. when compared to the previous quarter, standing at 2.70%, the first positive rate after four consecutive quarters of negative employment growth rates. This performance came alongside increasing wages.
- Nevertheless, the OECD predicts for employment a more moderated growth in 2021, with an annual growth rate of 0.07%, and to further recover in 2022, rising to a 1.44% rate.
- According to Norges Bank, Norway's fiscal support to businesses and households over the crisis continues to comprise supplements to existing transfer programs besides a range of additional measures. The latter include for instance grants for bringing temporarily dismissed workers back to work, as well as measures targeted towards supporting affected sectors such as the travel and tourism industry. Hence, this strategy targeted job-creation.
- During the second quarter of 2021, the Norwegian krone appreciated against the dollar, decreasing by 0.15 NOK/\$, from the exchange rate recorded in the previous quarter, standing at an average rate of 8.39 NOK/\$.
- Besides, some risk of the energy markets increasingly beginning to expect more permanent pressures on the supply side, resulting in rising forward oil and gas prices, could bring a stronger NOK, as it is a commodity-based currency.



Sweden recovery was intensified in the second quarter of the year with the gradual lifting of restrictions, alongside the vaccination rollout. As of 21 May, 42% of the adult population had received at least one vaccine dose, while monetary policy remained very accommodative, although with limited further margins for expansion.

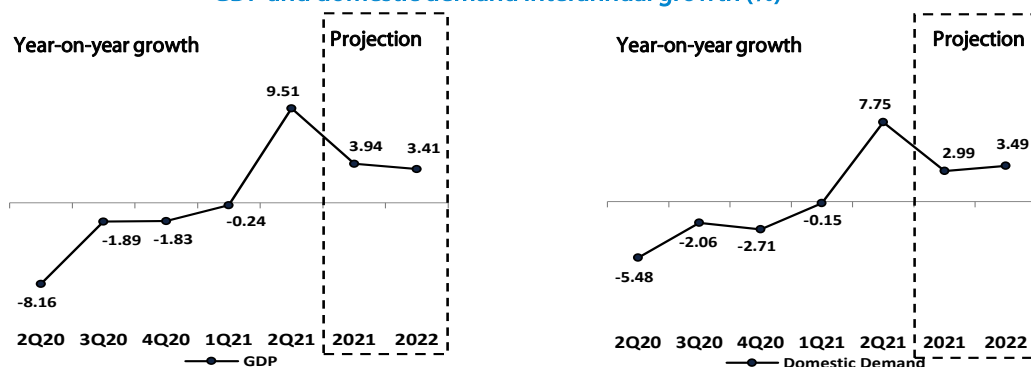
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	2Q20	3Q20	4Q20	1Q21	2Q21	2021	2022
GDP	-8.16	-1.89	-1.83	-0.24	9.51	3.94	3.41
DOMESTIC DEMAND	-5.48	-2.06	-2.71	-0.15	7.75	2.99	3.49
PRIVATE CONSUMPTION	-9.52	-4.10	-4.50	-0.62	9.02	3.19	4.57
GOVERNMENT CONSUMPTION	-1.99	-1.22	-0.40	0.79	4.10	2.06	0.82
GROSS CAPITAL FORMATION	-1.70	0.85	-1.87	-0.33	9.57	4.81	4.32
EXTERNAL DEMAND							
EXPORTS	-17.62	-6.80	2.57	0.68	20.35	10.70	4.60
IMPORTS	-14.79	-6.76	-0.73	1.56	16.99	9.30	5.00
INFLATION							
CPI	0.10	0.57	0.33	1.57	1.77	1.57	1.36
LABOUR MARKET							
UNEMPLOYMENT	9.10	8.60	7.90	9.70	9.90	8.38	7.50
EMPLOYMENT	-1.90	-1.98	-1.38	-2.64	0.53	0.93	1.93

Source: Statistics Sweden. Projections from the OECD May 2021.

- ▶ The Swedish economy is rebounding, with projected GDP growth close to 4% in 2021 and 3.5% in 2022, on the back of rising exports, which boost manufacturing production and investment, alongside strong fiscal and monetary support. Pandemic-related restrictions held back the recovery in the first quarter of the year, while the second quarter knew significant levels of growth, with GDP standing at 9.51%.
- ▶ Strong exports boosted significantly growth which favoured business investment. Government consumption and investment were also supporting the recovery. As distancing measures were eased, private consumption picked up, reflecting pent-up demand and elevated asset prices. Besides, soaring housing prices are also expected to push up residential investment.
- ▶ When it comes to the labour market, the pandemic has aggravated a mismatch in Sweden's job market, with unfilled vacancies for highly qualified workers coinciding with high unemployment for low-skilled workers and immigrants. According to Danske Bank, the public employment service needs strengthening to provide better support to jobseekers, including immigrants and women, and labour policies should strike the right balance between supporting businesses and workers and supporting transitions away from declining businesses towards growing sectors.
- ▶ Concerning prices, core inflation has been more volatile than expected as COVID-19 has disrupted seasonal patterns for many price components. However, the risk of persistent inflation lies upon the global growing energy crisis, which could increment the energy inflation tax, although inflation is set to remain below the 2% target throughout 2021 and 2022.

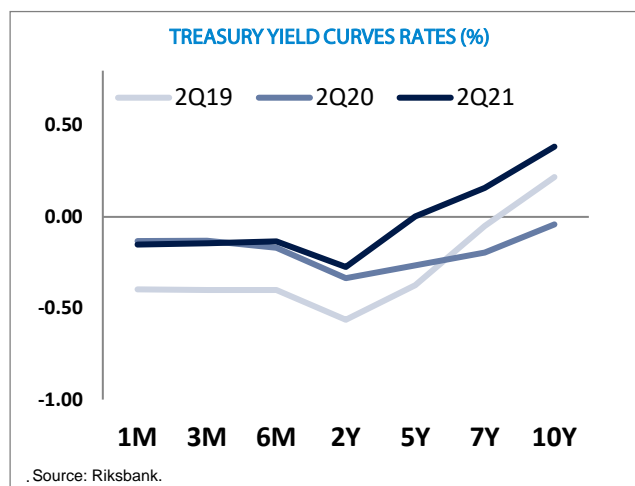
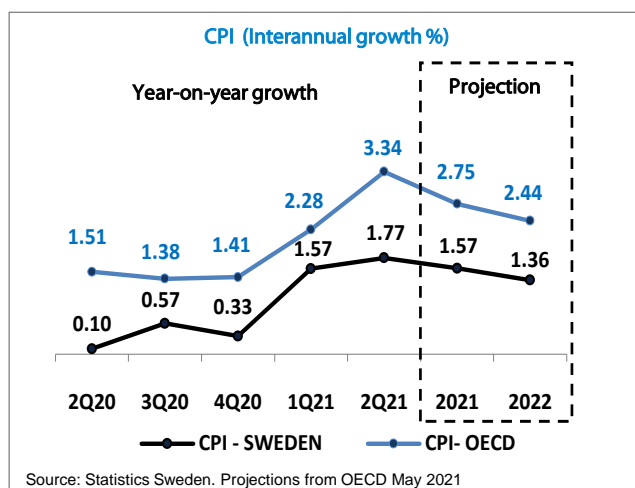
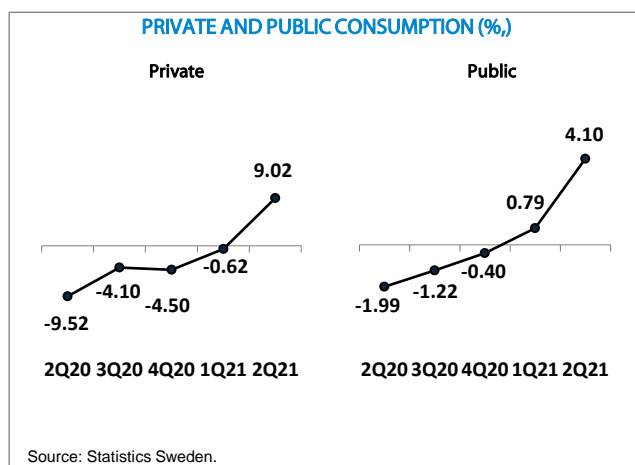
GDP and domestic demand interannual growth (%)



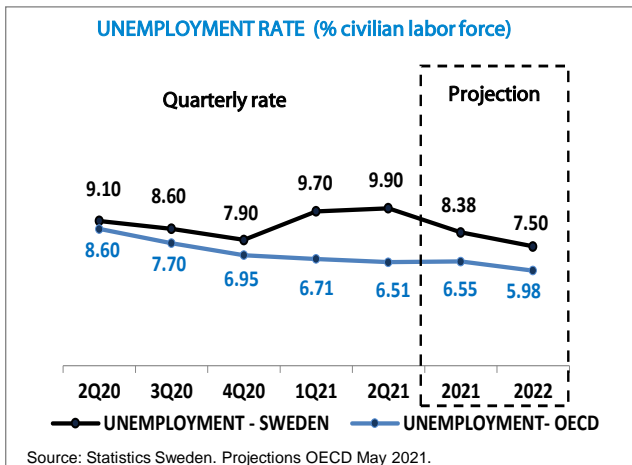
Source: Statistics Sweden. Projections from the OECD May 2021

In the second quarter of 2021, private consumption recorded a considerable increase in its y/y growth rate compared to the previous quarter, standing at a 9.02% rate. In the same line, the inflation rate rose, standing at a 1.77% rate in 2Q21 following worldwide inflationary pressure. Short- and medium-term yields stood at negative levels while long-run yields remained positive.

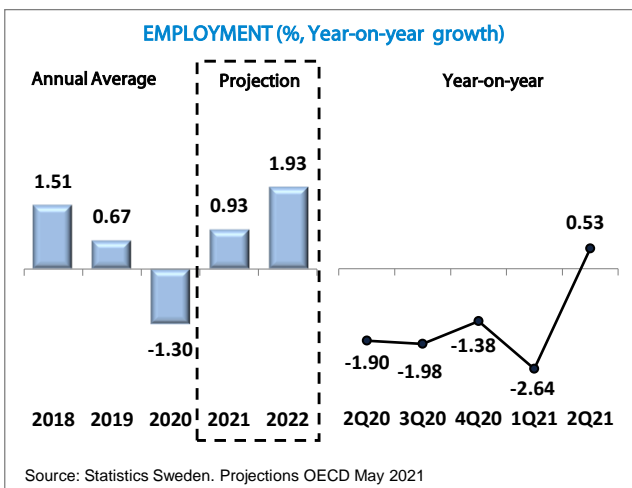
- During the second quarter of the year, private consumption significantly recovered after registering five consecutive quarters at negative levels, reaching a 9.02% y/y growth rate and increasing by 9.63 p.p. when compared to the previous quarter.
- The OECD forecast for private consumption predicts a year-on-year growth rate of 3.19% for 2021. Moreover, it expects private consumption to further recover in 2022, growing at a 4.57% rate. These results are essentially driven by a quicker normalization of consumption and faster spending of cumulative savings of past months.
- When it comes to government consumption, the extension of higher subsidies within the short-time work scheme explained the rise in public spending during the first half of the year. Besides, employers are now eligible for financial support covering 60% of the cost of training for employees on reduced working hours. Nevertheless, the return to the budget surplus target should be very gradual.
- In the second quarter of 2021, Sweden registered an inflation rate of 1.77%, which was 0.20 p.p. above the rate recorded in the previous quarter. The CPI was below the OECD average inflation rate in the second quarter of 2021 (3.34%).
- According to Danske Bank, inflation will likely remain steady in 2021. Inflation expectations will surely rise on the back of elevated inflation prints in the near-term. Rationally, it should be the shorter 1Y and 2Y horizons that are most affected. However, inflation is expected to be below the 2% target for both 2021 and 2022.
- In the second quarter of 2021, short- and medium-run bond yields of the Swedish sovereign debt stood at negative levels, following the same behaviour as in the previous quarter.
- Compared to the second quarter of 2019, bond yields experienced increases for all maturities. When compared to the second quarter of 2020, all bond yields increased, with the exemption of bonds for 1 and 3 months.



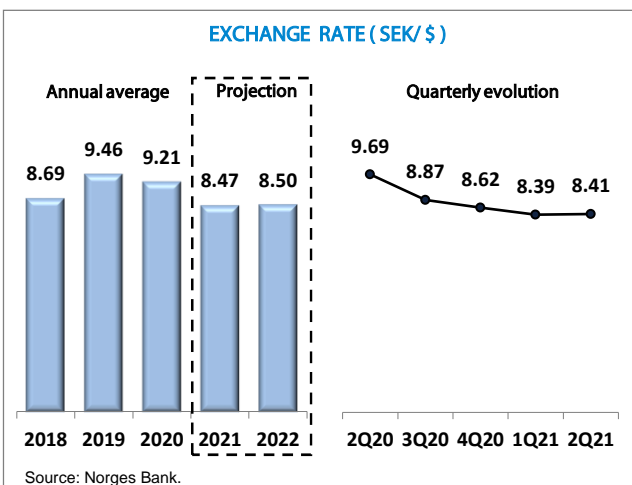
Regarding the labour market, during the second quarter of 2021, the unemployment rate accelerated compared to the previous quarter, up to a 9.90% rate. Moreover, in year-over-year terms, unemployment increased by 0.80 p.p.. Concerning the y/y growth rate of employment, it stood at 0.53% in the second quarter of 2021, breaking with its downward trend as restrictions eased. During the second quarter of 2021, the Swedish krona depreciated against the dollar.



- During the second quarter of 2021, the unemployment rate increased by 0.20 p.p. when compared to the previous quarter, up to a 9.90% rate. Besides and more worrying, unemployment levels remained above the OECD average (6.51%).
- According to the predictions of the OECD, unemployment is expected to progressively decrease in 2021, reaching an 8.38% rate, and a further decline in the following year, falling to a 7.50% rate. This forecast improves expectations for the Swedish labour market, as pre-crisis unemployment levels have not yet arrived. The fact that unemployment is lagging behind is probably primarily due to the fact that businesses have been cautious in hiring new employees.



- According to Danske Bank, there is a big difference in how the pandemic has affected the sectors. Especially in sectors that have been directly affected by the pandemic, such as hospitality and cultural and personal services, hours worked are 40% and 30% less than before the pandemic, and employment is also significantly lower in these sectors.
- Regarding the y/y employment growth rate, it accelerated by 3.17 p.p. when compared to the previous quarter, standing at 0.53%, the first positive rate after four consecutive quarters of negative employment growth rates.
- Nevertheless, the OECD predicts for employment a flat growth in 2021, with an annual growth rate of 0.93%, and to further recover in 2022, rising to a 1.93% rate.
- To summarize, the labour market is gradually improving but not as fast as GDP has. Labour shortages are an increasing problem.
- During the second quarter of 2021, the Swedish krona depreciated against the dollar, increasing by 0.02 SEK/\$, from the exchange rate recorded in the previous quarter, standing at an average rate of 8.41 SEK/\$.
- When compared to the same quarter of the previous year, the average exchange rate has decreased by 1.28 SEK/\$, registering hence a significant appreciation.



Finland

Finland recovery was intensified in the second quarter of the year with the gradual lifting of restrictions, alongside the vaccination rollout. By mid-May, 44% of the adult population had received a first vaccine dose, the highest proportion amongst EU/EEA countries. Economic growth was essentially boosted by consumption and exports.

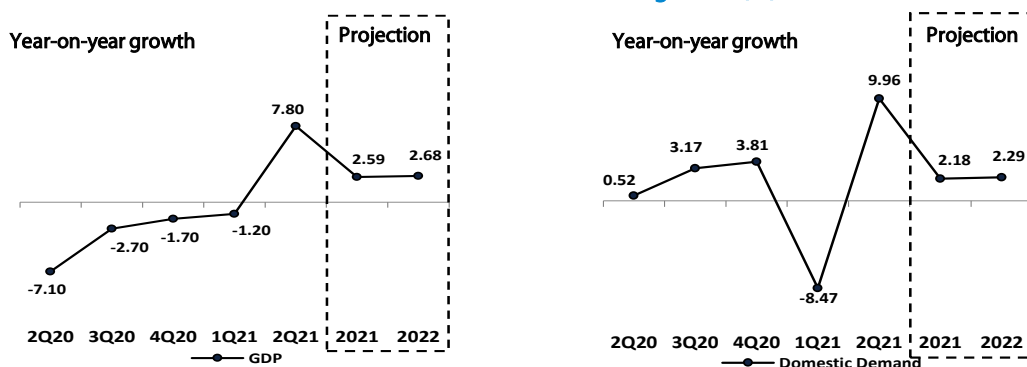
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	2Q20	3Q20	4Q20	1Q21	2Q21	2021	2022
GDP	-7.10	-2.70	-1.70	-1.20	7.80	2.59	2.68
DOMESTIC DEMAND	0.52	3.17	3.81	-8.47	9.96	2.18	2.29
PRIVATE CONSUMPTION	-10.70	-3.70	-4.30	-4.10	9.50	3.47	3.12
GOVERNMENT CONSUMPTION	-1.20	-0.10	3.20	2.10	4.10	2.32	0.00
GROSS CAPITAL FORMATION	-4.70	-12.00	31.80	-1.40	3.00	-0.36	2.98
EXTERNAL DEMAND							
EXPORTS	-12.40	-10.00	-0.40	-4.00	8.00	5.40	5.70
IMPORTS	-12.60	-8.20	-6.40	-7.30	7.50	4.50	4.70
INFLATION							
CPI	-0.17	0.32	0.20	1.04	2.08	1.76	1.51
LABOUR MARKET							
UNEMPLOYMENT	8.87	7.60	7.33	8.43	9.17	7.73	7.01
EMPLOYMENT	-2.85	-1.94	-1.48	-0.60	3.87	0.82	0.98

Source: Statistics Finland. Projections from OECD May 2021.

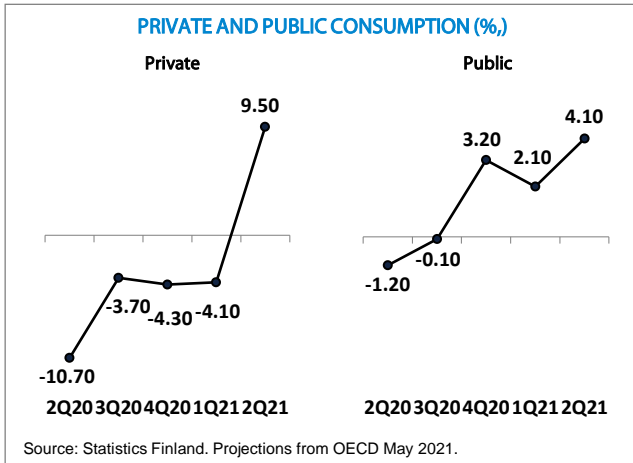
- During the COVID crisis, the Finnish economy has been relatively stable, and many industries have continued to operate without interruptions. The pandemic itself has been relatively mild compared to most countries. Consequently, the lockdown measures have been less stringent. Good capabilities for remote work have helped to maintain productivity relatively constant. Thus, GDP growth reached 7.80% in the second quarter.
- According to Danske Bank, a strong global recovery should support growth in Finnish goods exports. The EU recovery fund as well as CAPEX in the US, should bring a boost in 2022. Increasing travel should also help increase service exports while private consumption is expected to take an important part in the recovery. However, public debt remains an issue as it remains large despite the recovery. Thus, the recent budget proposal for 2022 shows a deficit of EUR 6.9 bn, which will be covered by increased borrowing and austerity policies.
- When it comes to the labour market, the unemployment rate is higher than before the crisis, which implies two things: some industries are not back to normal and the supply of labour has increased, because the employment rate is back to the previous peak already. However, structural issues and skills mismatch imply that a 7% unemployment rate forecast will be close to full employment in Finland.
- Concerning inflation, CPI growth is expected to reach roughly 1.76% by the end of 2021, boosted by commodity price increases, housing, supply shortages and excise tax increases, before easing to 1.51% in 2022 as these temporary factors pass. A higher inflation and tighter labour market will push wages up in 2022, even if export cost competitiveness is at risk.

GDP and domestic demand interannual growth (%)



Source: Statistics Finland. Projections from OECD May 2021.

In the second quarter of 2021, private consumption recorded a considerable increase in its y/y growth rate compared to the previous quarter, standing at a 9.50% rate. In the same line, the inflation rate doubled, standing at a 2.08% rate in 2Q21 following worldwide inflationary pressure. Concerning sovereign debt, all bond yields stood at negative levels, except 15Y, following the previous quarter path.



► During the second quarter of the year, private consumption significantly recovered after registering five consecutive quarters at negative levels, reaching a 9.50% y/y growth rate and increasing by 13.60 p.p. when compared to the previous quarter.

► The OECD forecast for private consumption predicts a year-on-year growth rate of 3.47% for 2021. However, it expects private consumption to slow its recovery in 2022, growing at a 3.12% rate. These results are essentially driven by a quicker normalization of consumption and a faster spending of cumulative savings of past months.

► When it comes to public consumption, the government subsidized business costs and development expenditures directly supported the food and beverage service sector, while it also provided loan guarantees and temporary loans for research, development and innovation. However, these support measures are expected to be expired by the end of 2021.

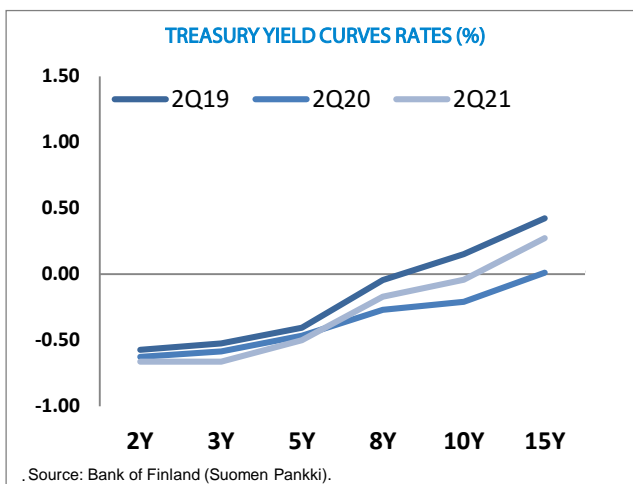
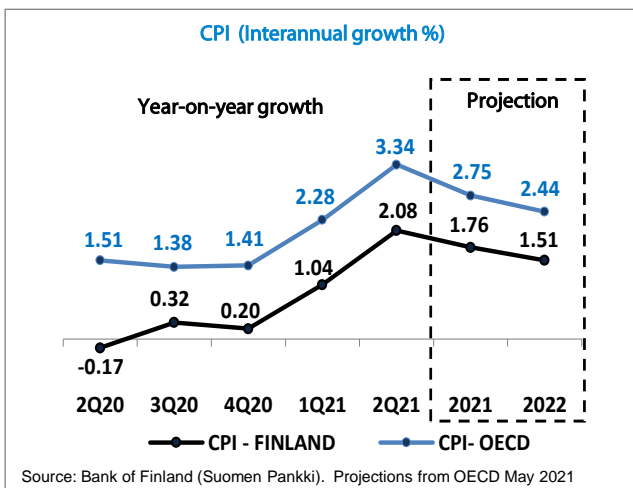
► In the second quarter of the year, inflation doubled owing to world inflationary pressure up to 2.08%. The CPI was below the OECD average inflation rate in the second quarter of 2021 (3.34%).

► According to OECD, inflation will jump to roughly 1.76% this year, boosted by commodity price increases, supply shortages and excise tax increases before easing to 1.51% in 2022 as these temporary factors pass.

► In the second quarter of 2021, all bond yields of the Finnish sovereign debt stood at negative levels, with the exemption of the 15Y maturities, following the same trend as in the previous quarter.

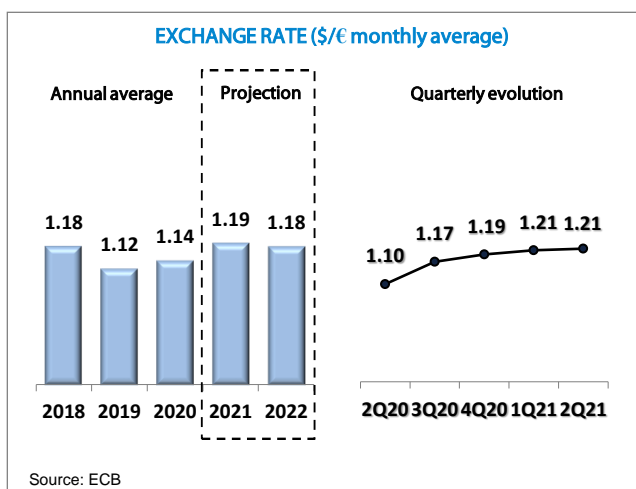
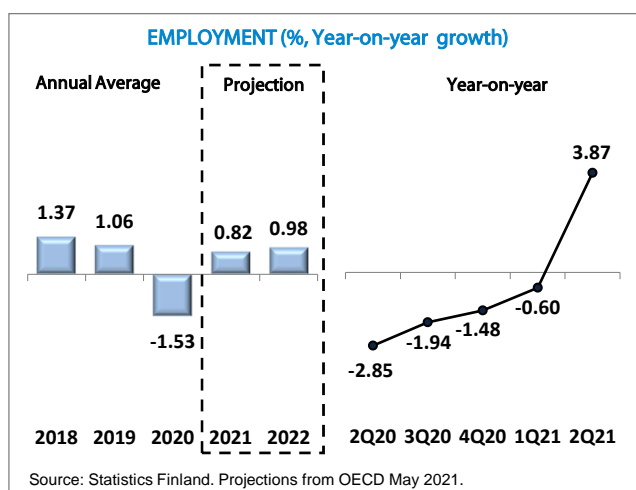
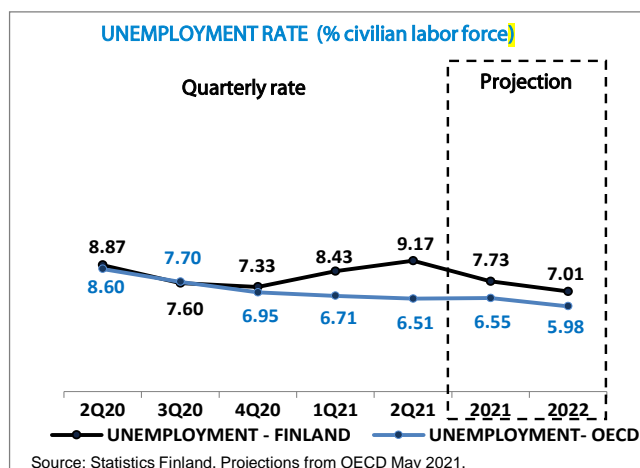
► Compared to the second quarter of 2019, bond yields experienced decreases for all maturities. The sharpest fall corresponded to the 10Y, with a decrease of 0.19 p.p..

► When compared to the second quarter of 2020, short and medium-run bond yields decreased while long-term bonds increased. Long-run maturities experienced the highest changes, being the sharpest rise for 15Y maturities with a 0.26 p.p. rise.



Regarding the labour market, during the second quarter of 2021, the unemployment rate accelerated compared to the previous quarter, up to a 9.17% rate. Moreover, in year-over-year terms, unemployment increased by 0.30 p.p.. Concerning the y/y growth rate of employment, it stood at 3.87% in the second quarter of 2021, breaking with its downward trend as restrictions eased. Moreover, the euro remained unchanged against the dollar when compared to the previous quarter.

- During the second quarter of 2021, the unemployment rate increased by 0.73 p.p. when compared to the previous quarter, up to a 9.17% rate. Besides and more worrying, unemployment levels remained above the OECD average (6.51%).
- According to the predictions of the OECD, unemployment is expected to progressively decrease in 2021, reaching a 7.73% rate, and further decline in the following year, falling to a 7.01% rate, still well above the 6.07% pre-pandemic rate. Most of the increase in unemployment in the past year reflects a rise in long-term unemployment. However, structural issues and skills mismatch imply that the 7% unemployment rate is close to full employment in Finland.
- Regarding the y/y employment growth rate, it accelerated by 4.47 p.p. when compared to the previous quarter, standing at 3.87%, the first positive rate after four consecutive quarters of negative employment growth rates.
- Nevertheless, the OECD predicts for employment a flat growth in 2021, with an annual growth rate of 0.82%, and to further recover in 2022, rising to a 0.98% rate.
- To summarize, the labour market is gradually improving but not as fast as GDP has. Employment growth will strengthen through 2022, reducing predictably the unemployment rate to the pre-pandemic level by the end of 2022.
- In the second quarter of the year, the euro remained unchanged against the dollar when compared to the previous quarter, staying flat and recording a quarterly average exchange rate of 1.21 \$/€.
- The OECD expects the annual average exchange rate in 2021 to appreciate compared with the one recorded in 2020, increasing from an annual average rate of 1.14 \$/€ in 2020 to 1.19 \$/€ in 2021. In 2022, it is expected to slightly depreciate, at an exchange rate of 1.18 \$/€.

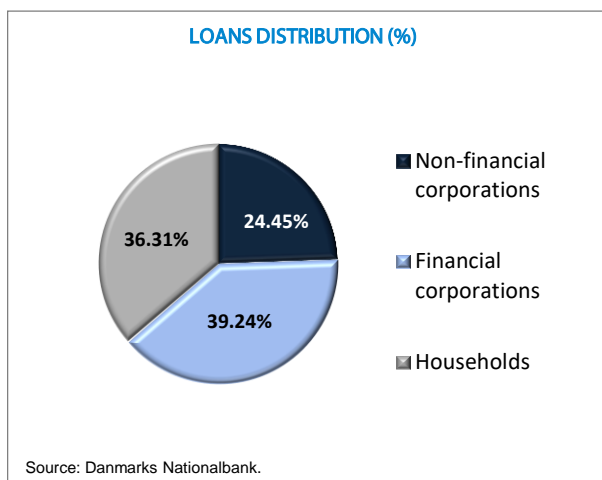


4. Banking sector: general overview

Denmark - Loans

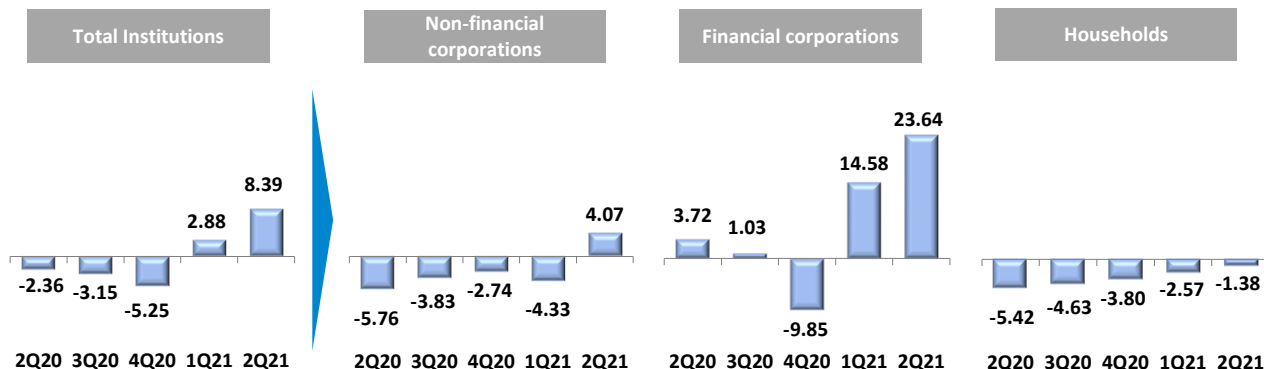
During the second quarter of the year, the y/y growth rate of Denmark's total loans accelerated by 5.51 p.p. when compared to 1Q21, standing at 8.39%. This was explained by the acceleration registered in loans for all types of entities, especially, loans to financial corporations and non-financial corporations.

- ▶ During the second quarter of 2021, total loans registered an increase of 5.51 p.p. in their y/y growth rate, up to a rate of 8.39%, continuing with the previous quarter growth trend.
- ▶ The growth rate of loans to financial corporations rose by 9.06 p.p., standing at 23.64%.
- ▶ Additionally, non-financial loans recorded an increase of 8.39 p.p., remaining at positive levels of growth for the first time since the first quarter of 2020, with a rate of 4.07%.



- ▶ Moreover, loans to households recorded a rate of -1.38%, which meant an increase of 1.19 p.p. since the last quarter.
- ▶ Regarding the distribution of loans during the second quarter of the year, loans to financial corporations accounted for the largest share of total loans, with 39.24%, after an increase of 0.60 p.p. with respect to the previous quarter. Loans to households decreased their share by 0.56 p.p. being 36.31% of total loans. Finally, non-financial corporations accounted for 24.45% of total loans, decreasing 0.04 p.p. from the previous quarter.

LOANS AND LEASES (% Year-over-year)

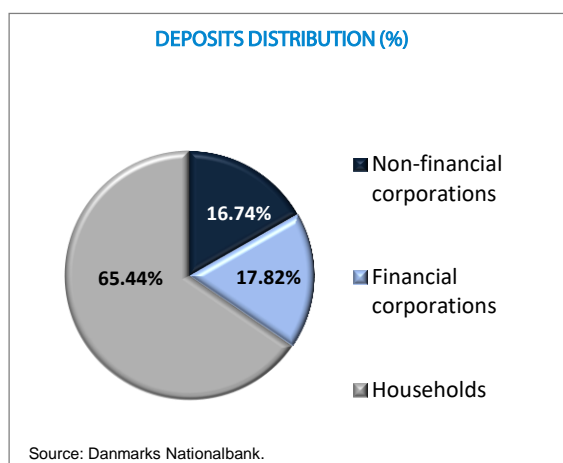


Source: Danmarks Nationalbank.

Note: total institutions include all domestic sectors.

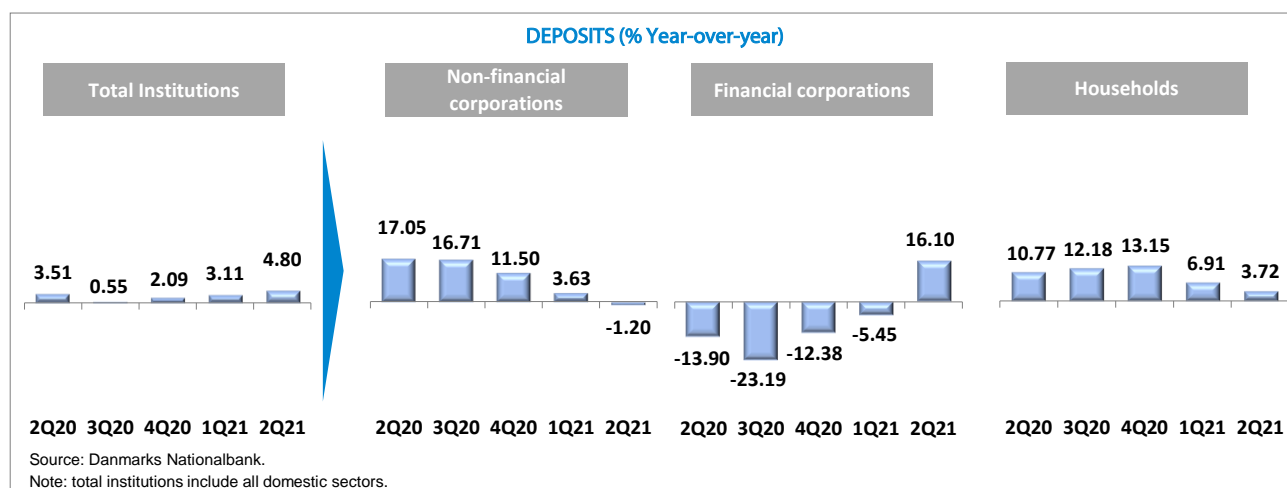
Denmark - Deposits

During the second quarter of 2021, total deposits in Denmark increased their y/y growth rate by 1.69 p.p. up to 4.80% at the end of the quarter. This behaviour was largely driven by the performance of financial corporations' deposits, whose y/y growth rate increased by 21.55 when compared to the previous quarter.



- ▶ In 2Q21, the total deposits y/y growth rate was 4.80%, which represented an increase of 1.69 p.p. when compared to the previous quarter.
- ▶ This quarterly increase in total deposits growth was mainly driven by financial corporations' deposits, as they recorded an increase of 21.55 p.p. to a y/y growth rate of 16.10% in 2Q21, breaking with its previous negative trend.
- ▶ At the same time, non-financial corporations' deposits grew at a slower pace than in the previous quarter (-4.83 p.p.), registering a negative growth rate (-1.20%).

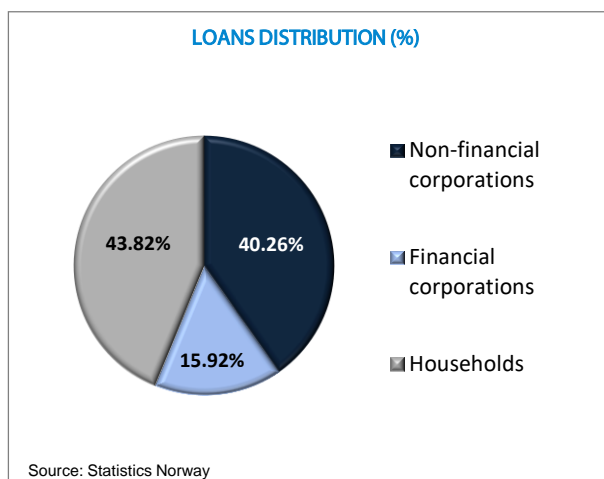
- ▶ Household deposits decreased their y/y growth rate by 3.19 p.p., down to 3.72% in 2Q21.
- ▶ Regarding the distribution of deposits, during this period household deposits accounted for 65.44% of total deposits, which was the largest share, followed by financial corporations and non-financial corporations, which registered 17.82% and 16.74%, respectively, in the second quarter of 2021.
- ▶ When compared to the previous quarter, financial corporations decreased their share by 4.25 p.p. and non-financial corporations increased their share by 2.39 p.p.. Moreover, households registered an increase in their share of 1.87 p.p. with respect to 1Q21.



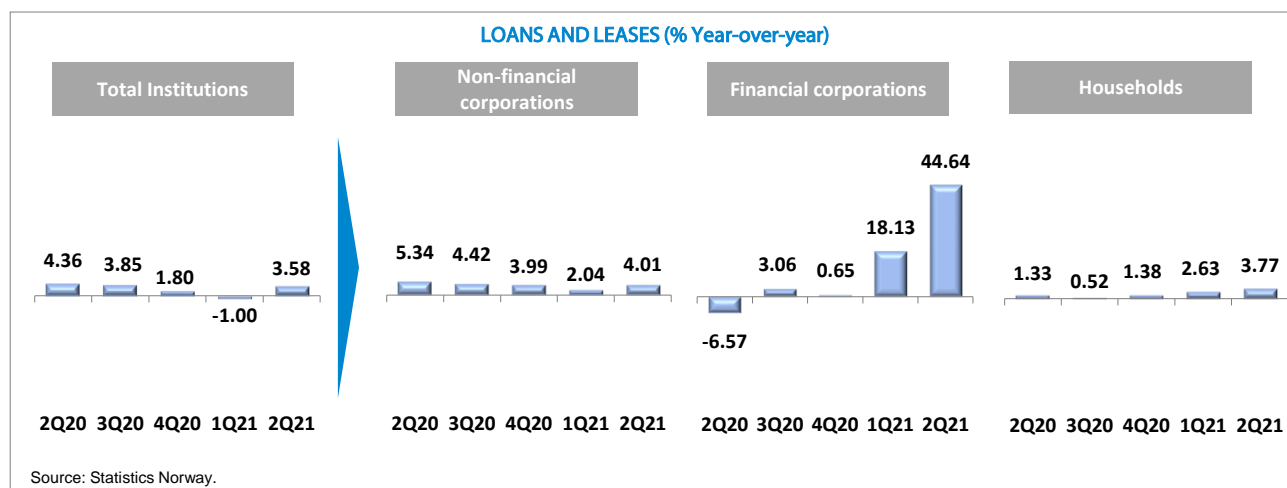
Norway - Loans

During the second quarter of the year, the y/y growth rate of total loans in Norway increased by 4.58 p.p. when compared to the previous quarter, registering a y/y growth rate of 3.58%. This result was mainly due to the accelerations in financial and non-financial loans. Loans granted to households accounted for a share of 43.82% of total loans, the largest share of Norwegian total loans.

- ▶ During the second quarter of the year, total Norwegian loans increased their y/y growth rate by 4.58 p.p. with respect to 1Q21, up to a 3.58% rate.
- ▶ This performance was largely driven by the rise in the growth rate of loans to non-financial corporations, which increased by 1.97 p.p. up to 4.01% in 2Q21.
- ▶ Loans granted to households accelerated by 1.14 p.p. up to a growth rate of 3.77%.



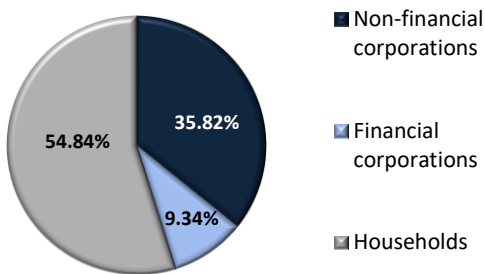
- ▶ Meanwhile, in the second quarter of 2021, loans granted to financial corporations increased their y/y growth rate by 26.52 p.p. when compared to the previous quarter. They stood at a 44.64% rate in 2Q21.
- ▶ Regarding the distribution of loans, those granted to non-financial corporations experienced a decrease in their share of 1.24 p.p. when compared to 1Q21, concentrating 40.26% of total loans during this period. Loans granted to households decreased their share by 0.65 p.p. down to 43.82%. Finally, financial corporations experienced an increase of 1.89 p.p. up to a 15.92% share.



Norway - Deposits

The y/y growth rate of Norwegian deposits stood at 7.04% in the second quarter of 2021, which meant an increase of 2.95 p.p. when compared to the previous quarter. As for the distribution of deposits, those of non-financial corporations and households concentrated 35.82% and 54.84% of total deposits in 2Q21, respectively, while financial corporations' shares stood at 9.34%.

DEPOSITS DISTRIBUTION (%)

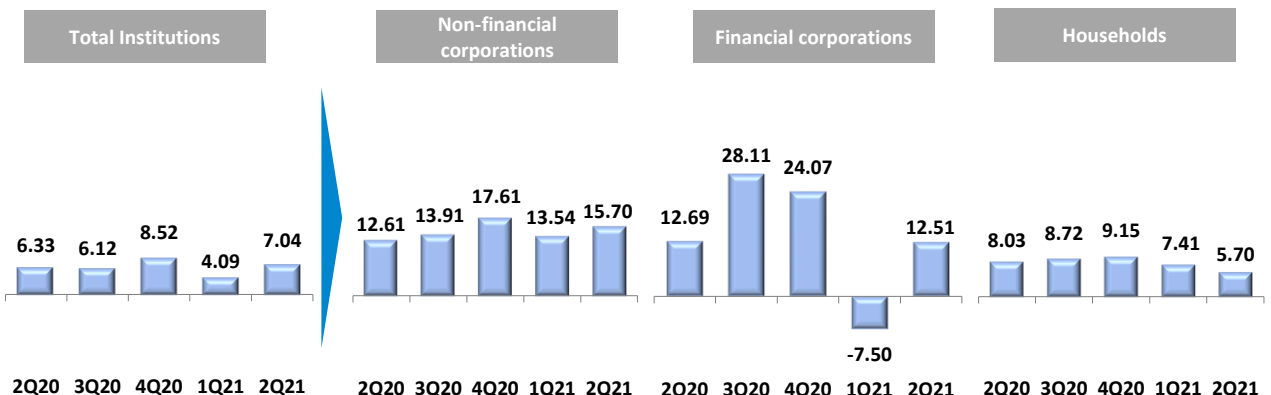


Source: Statistics Norway.

- ▶ In the second quarter of 2021, total deposits in the Norwegian financial system experienced an acceleration of 2.95 p.p. up to a growth rate of 7.04%.
- ▶ Likewise, deposits granted to financial corporations increased their y/y growth rate by 20.00 p.p. up to a y/y growth rate of 12.51%. Non-financial corporations accelerated also by 2.16 p.p., recording a 15.70% growth rate in 2Q21, while households decreased their y/y growth rate by 1.71 p.p., standing at 5.70%.

- ▶ During the second quarter of 2021, the distribution of deposits experienced some slight changes when compared to the first quarter of 2021. Deposits granted to non-financial corporations and financial corporations increased their share by 0.02 p.p. and 0.08 p.p., accounting for 35.82% and 9.34% of total deposits, respectively. On the other hand, deposits of households decreased their share by 0.10 p.p. down to 54.84% in 2Q21.

DEPOSITS (% Year-over-year)

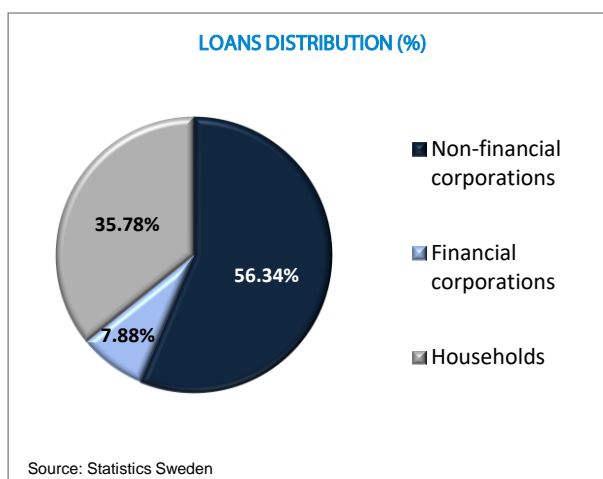


Source: Statistics Norway.

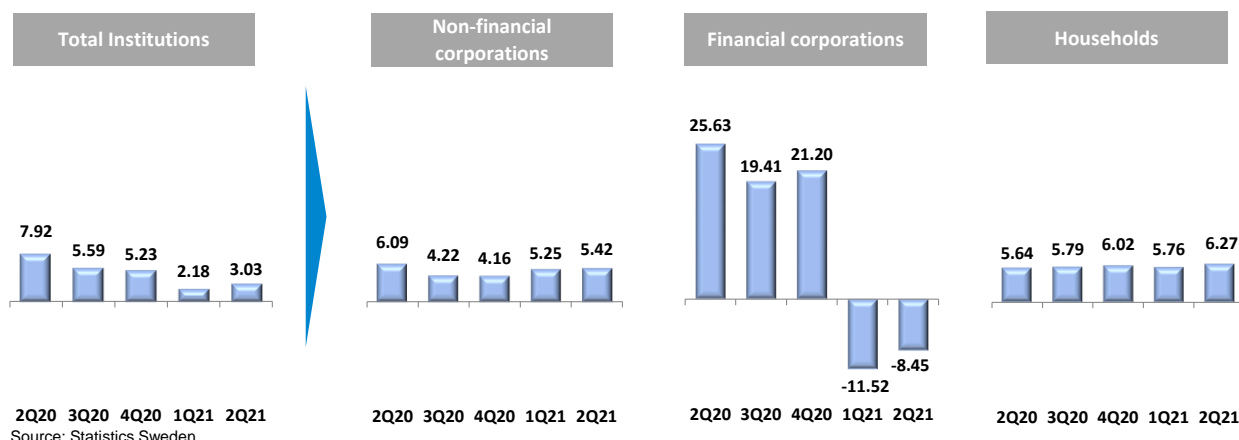
Sweden - Loans

The Swedish financial system recorded an increase of 0.84 p.p. in its total loans y/y growth rate, up to 3.03% in the second quarter of 2021. This performance was mainly driven by the increments experienced in the growth rate of loans granted to financial corporations and households. During this period, non-financial corporations recorded once more the largest share of total loans, at 56.34%.

- ▶ During the second quarter of 2021, the y/y growth rate of total loans increased by 0.84 p.p. with respect to the previous quarter, up to 3.03%.
- ▶ Loans granted to financial corporations registered an acceleration in their y/y growth rate of 3.07 p.p. when compared to 1Q21, down to -8.45%.
- ▶ Loans to non-financial corporations registered an increase in their y/y growth rate, of 0.17 p.p., up to 5.42%.
- ▶ On the other hand, loans to households increased their y/y growth rate when compared to the previous quarter by 0.51 p.p. and stood at a rate of 6.27%.
- ▶ During 2Q21 and as in previous periods, non-financial corporations registered the largest share over total loans (56.34%), followed by households (35.78%) and financial corporations (7.88%).



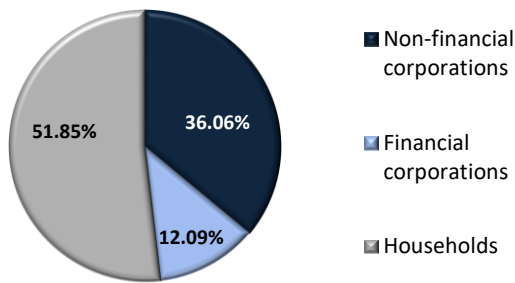
LOANS AND LEASES (% Year-over-year)



Sweden - Deposits

Swedish deposits recorded a deceleration of 1.18 p.p. from a rate of 12.54% in 1Q21 to 11.36% in the second quarter of 2021. This performance was driven by the decreases recorded in deposits from non-financial corporations and households' deposits. Deposits from Swedish households represented the largest share of total deposits during 2Q21, with 51.85%.

DEPOSITS DISTRIBUTION (%)

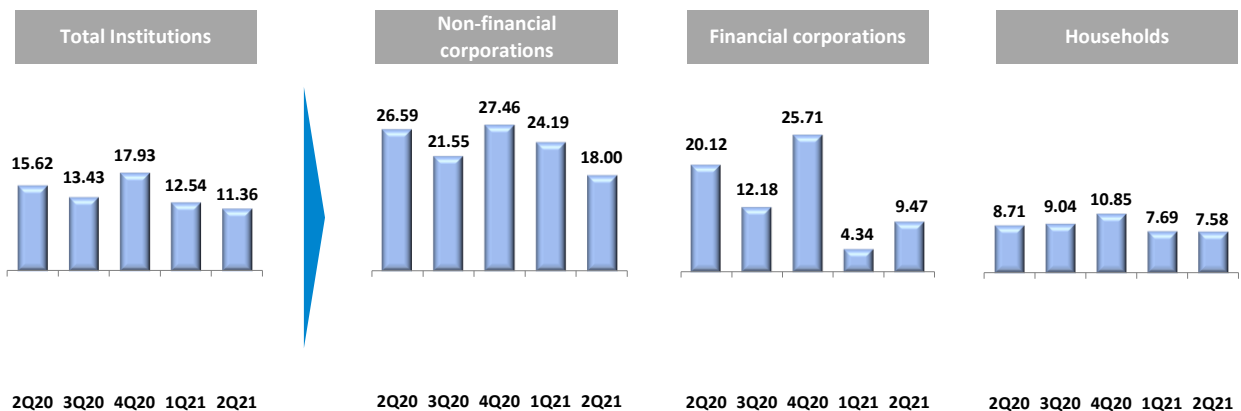


Source: Statistics Sweden

- ▶ Total deposits within the Swedish financial system experienced a decrease in their y/y growth rate of 1.18 p.p., standing at a rate of 11.36% in the second quarter of the year.
- ▶ In turn, deposits from financial corporations increased their growth by 5.13 p.p. up to 9.47% at the half of the year.
- ▶ However, the y/y growth rate for deposits from non-financial corporations decreased by 6.18 p.p. and stood at 18.00%.
- ▶ Households' deposits decreased in 2Q21 their growth rate by 0.11 p.p. compared to the previous quarter, down to 7.58%.

- ▶ During the second quarter of the year, households remained as the segment with the largest share with 51.85% of total deposits, despite decreasing their share by 0.28 p.p. compared to 1Q21. Non-financial corporations saw their deposits share increase by 0.62 p.p., thus standing at 36.06%. On top of that, financial corporations recorded a deposits share of 12.09%, decreasing by 0.34 p.p. from 1Q21.

DEPOSITS (% Year-over-year)

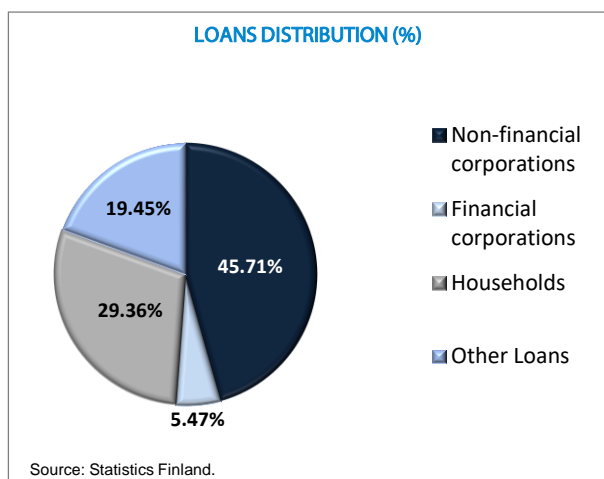


Source: Statistics Sweden.

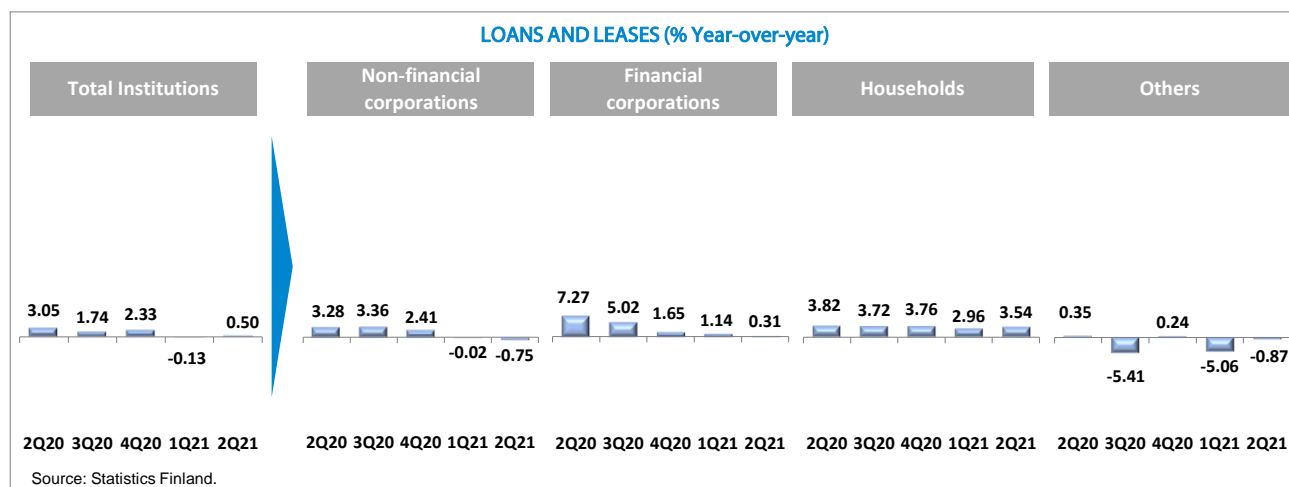
Finland - Loans

In the second quarter of 2021, the y/y growth rate for the Finnish total loans recorded an increase of 0.64 p.p. compared to the previous quarter, resulting in a y/y growth rate of 0.50% in 2Q21. The performance was essentially driven by the acceleration in the growth rates household loans and other loans.

- During the second quarter of the year, the loans growth rate increased by 0.64 p.p., compared to the previous quarter, registering a growth rate of 0.50% in 2Q21.
- On the other hand, in 2Q21, loans to financial corporations decreased by 0.83 p.p. with respect to the previous quarter, resulting in a growth rate of 0.31%.
- The household loan growth rose by 0.58 p.p., reaching a growth rate of 3.54%. Additionally, other loans registered an increase of 4.18 p.p. compared to 1Q21, although reaching a negative growth rate, of -0.87%.

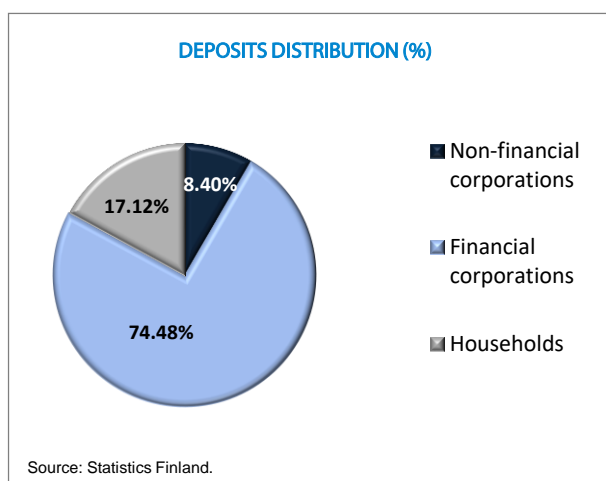


- In turn, non-financial corporations' loans decreased slightly by 0.73 p.p. down to a growth rate of -0.75%.
- In 2Q21, non-financial corporations' loans continued to register the largest share of total loans, standing at 45.71%. Financial corporations and households recorded shares of 5.47% and 29.36%, respectively. Finally, other loans registered a share of 19.45%.



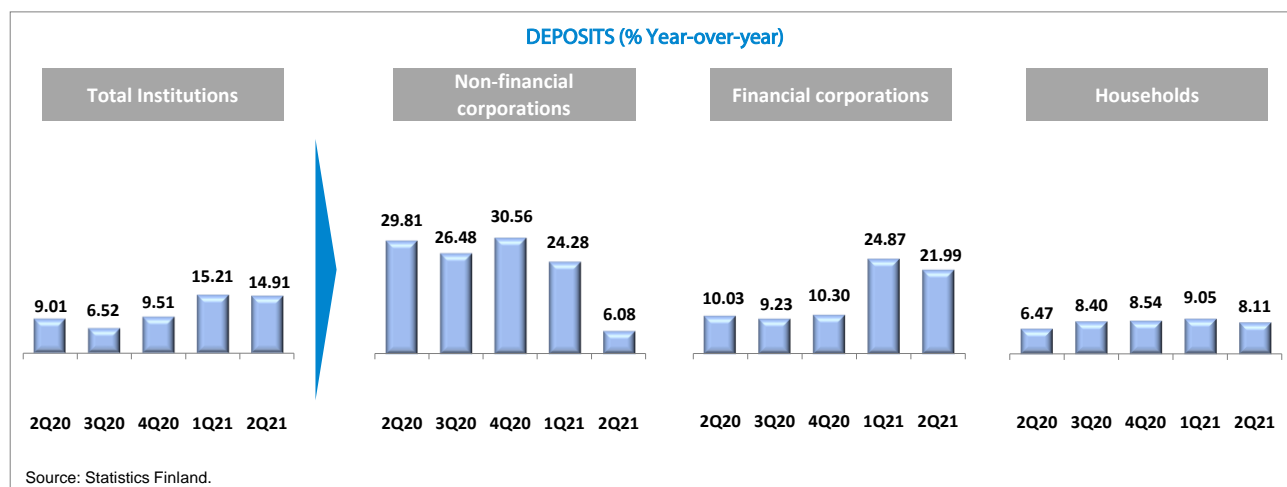
Finland - Deposits

During 2Q21, the growth rate of total Finnish deposits decreased by 0.29 p.p. from 1Q21, down to a growth rate of 14.91%. Regarding the distribution of deposits, insurance and financial corporations were once again the ones to register the largest share (74.48%), followed by households (17.12%) and non-financial corporations (8.40%).



- ▶ Additionally, households' deposits also decreased their share of total deposits from the previous quarter, down to 17.12%.

- ▶ In 2Q21, the total deposits y/y growth rate registered a decrease of 0.29 p.p. with respect to the previous quarter, down to a rate of 14.91%.
- ▶ The y/y growth rate of deposits for non-financial corporations decreased significantly by 18.20 p.p. compared to the previous quarter. This resulted in a growth rate of 6.08%.
- ▶ Financial corporations' deposits y/y growth rate decreased during this quarter, by 2.89 p.p. down to a rate of 21.99%.
- ▶ Similarly, the growth rate for households' deposits decreased by 0.94 p.p., standing at 8.11%.
- ▶ Regarding the distribution of deposits in 2Q21, deposits from financial corporations increased their share from the previous quarter, up to 74.48%. In turn, non-financial corporations' deposits decreased their share down to 8.40%.



5. Appendix

SOURCES

MACROECONOMIC OVERVIEW

- ▶ BBVA Research:
<http://www.bbvaresearch.com/KETD/ketd/esp/index.jsp>
- ▶ Danmarks Nationalbank:
<http://www.nationalbanken.dk/>
- ▶ European Central Bank:
<http://www.ecb.int/ecb/html/index.es.html>
- ▶ International Monetary Fund (IMF):
<http://www.imf.org>
- ▶ Organisation for Economic Co-operation and Development, OECD:
<http://www.oecd.org/home/>
- ▶ World Bank: www.worldbank.org
- ▶ Statistics Denmark:
<http://www.statbank.dk/>
- ▶ Statistics Finland:
<http://www.stat.fi/>
- ▶ Statistisk Sentralbyrå:
<http://www.ssb.no/>
- ▶ Statistics Sweden:
<http://www.scb.se/>
- ▶ Sveriges Riksbank:
<http://www.riksbank.se/>

FINANCIAL SECTOR

- ▶ Statistiska Centralbyrån:
<http://www.statistikdatabasen.scb.se/>
- ▶ Statistics Finland's PX-Web databases:
<http://pxnet2.stat.fi/>

GLOSSARY

- ▶ **Efficiency Ratio:** cost-to-income ratio
- ▶ **Tier 1 Common Ratio:** (Tier 1 capital - qualifying subordinate debt and redeemable preferred stock - qualifying non-controlling interests in consolidated subsidiaries) / Total risk-weighted assets.
- ▶ **Return On Equity (ROE):** Net Income annualised / equity.
- ▶ **Return On Assets (ROA):** Net income annualised / total assets.



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