

Nordics – 1Q22

Denmark, Norway, Sweden and Finland Macroeconomic Outlook Report



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1. General Outlook

Nordics Macroeconomic overview

During 1Q22, all Nordic economies continued their respective recoveries during the first quarter of the year apart from Norway and Sweden. When it comes to inflation, as a consequence of the Ukraine conflict, the disruption of supply chains and the rising energy prices, all the economies suffered from a raising inflation. CPI in Finland rose to a 4.90%; while labour markets of all the Nordics economies showed signs of recovery during the quarter, except for Sweden which recorded an unemployment rate of 8.10, 0.60 p.p. higher than 4Q21.

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP							
DENMARK	-0.21	8.79	4.13	6.53	6.66	3.02	1.37
NORWAY	0.22	5.91	5.33	4.76	3.73	4.00	2.32
SWEDEN	4.37	14.15	8.92	5.63	3.13	2.21	1.04
FINLAND	-0.70	7.70	3.50	3.00	3.80	1.07	0.60
OECD	-0.93	15.51	4.69	1.20	4.20	3.46	1.75
CPI							
DENMARK	0.73	1.63	1.87	3.17	4.83	5.20	3.85
NORWAY	2.97	2.87	3.50	4.63	3.80	4.64	3.28
SWEDEN	1.57	1.77	2.00	3.33	4.67	6.47	5.41
FINLAND	1.04	2.08	2.19	3.45	4.90	6.23	4.58
OECD	2.28	3.34	4.31	6.56	7.90	4.39	3.10
UNEMPLOYMENT							
DENMARK	6.10	5.20	4.80	4.50	4.40	5.06	5.52
NORWAY	5.00	5.10	4.20	3.40	3.30	2.82	2.80
SWEDEN	9.70	9.90	8.20	7.50	8.10	7.40	7.35
FINLAND	7.97	8.00	7.57	6.97	6.60	7.21	7.74
OECD	6.71	6.49	5.93	5.51	5.23	5.24	5.30

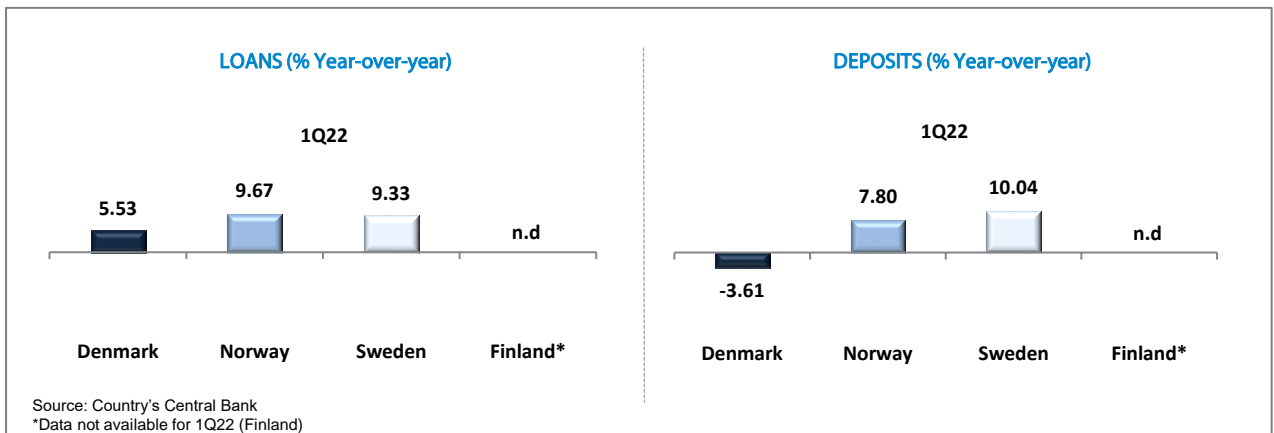
Source: Countries' Central Banks and OECD.

- ▶ **Denmark:** In the first quarter, the Danish economy continued to recover, with GDP accelerating by 0.13 p.p. from the previous quarter and registering the highest GDP of the countries surveyed. Thus, the year-on-year change in GDP registered a positive growth of 6.66%. The inflation rate stood at 4.83%, 1.67 p.p. higher than in the previous quarter. The unemployment rate decreased by 0.10 p.p. to 4.40%.
- ▶ **Norway:** Norway experienced a slight contraction in its economy of 0.27 p.p. compared to the fourth quarter of 2021, with its GDP standing at a year-on-year rate of change of 3.73%. On the other hand, it recorded an inflation rate of 3.80%, after experiencing a decrease of 0.83 p.p., no longer being the country with the highest inflation among the Nordic countries. The unemployment rate fell by 0.10 p.p. to 3.30%, the lowest of the four countries analysed.
- ▶ **Sweden:** In the first quarter of 2022, the Swedish economy recorded a deceleration in its GDP growth rate of 2.50 p.p. compared to the previous quarter, registering a rate of 3.13%. The unemployment rate increased by 0.60 p.p. from the previous quarter to 8.10%, still the highest of the four countries. Inflation rose by 1.33 p.p. to 4.67%.
- ▶ **Finland:** In terms of year-on-year GDP growth, Finland increased by 0.80 p.p. to 3.80%, the highest year-on-year growth rate of the four countries. The inflation rate continued to rise to 4.90%, the highest rate in the group. As for the labour market, the unemployment rate decreased by 0.37 p.p., with Finland registering a rate of 6.60%.

Banking sector

During the first quarter of 2022, the y/y growth rate of loans in Norway and Sweden increased. They went up to 9.67% and 9.33% respectively. Notably, Denmark's loans decreased by 12.72 p.p. compared to 4Q21. The same patterns can be seen regarding deposits: Norway and Sweden recorded increases in their year-on-year growth rates of deposits with respect to the previous quarter while Denmark recorded a fall of 3.17 p.p. down to a negative rate of 3.61%.

Banking sector



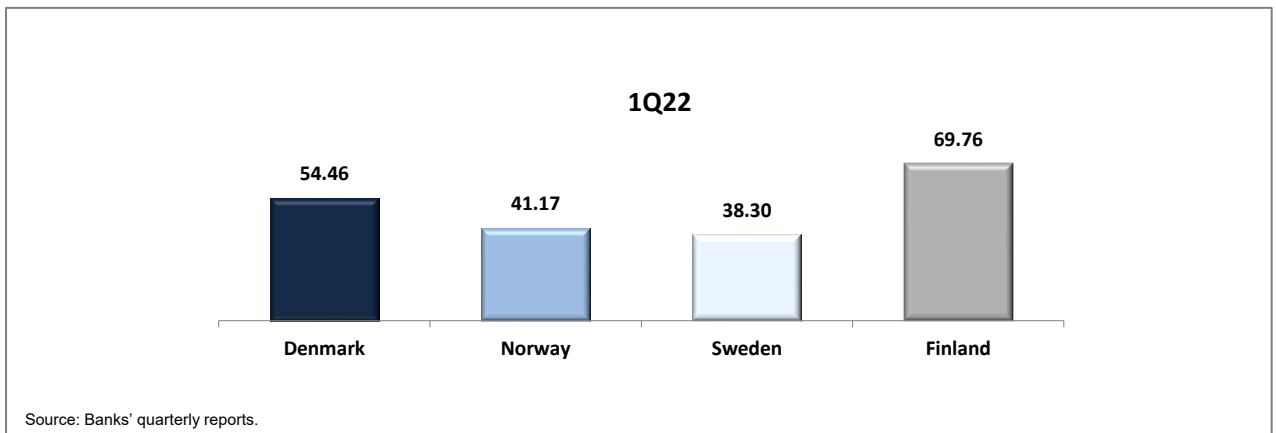
- ▶ **Denmark:** During the first quarter, the y/y growth rate of loans registered a positive value of 5.53%, the lowest among the three countries with available data and down to 12.42 p.p. from the previous quarter.
- ▶ **Norway:** The growth rate of total loans accelerated by 3.90 p.p. from 4Q21, up to 9.67%.
- ▶ **Sweden:** The growth rate of total loans speed up by 1.29 p.p. compared to 4Q21 and registered a rate of 9.33% during the fourth quarter.
- ▶ **Finland*:** In 4Q21, the total loans' growth rate stood at 1.64% after a 0.07 p.p. decrease in the fourth quarter of 2021.
- ▶ **Denmark:** In 1Q22, Denmark recorded a decrease of 3.17 p.p. in the y/y growth rate of deposits, down to -3.61%.
- ▶ **Norway:** The Norwegian total deposits growth rate experienced an acceleration of 0.43 p.p. during 1Q22, up to 7.80%.
- ▶ **Sweden:** In 1Q22, the total deposits growth rate increased by 0.39 p.p., up to a growth rate of 10.04%.
- ▶ **Finland*:** In 4Q21, Finland's growth rate of deposits significantly held back, by 16.80 p.p. and down to a rate of 3.53%.

*Data not available for Finland 1Q22.

Peer Group: efficiency

During the first quarter, the Swedish Peer Group remained the most efficient Peer Group among the Nordic economies, recording an average efficiency ratio of 38.30%. Norway and Sweden experienced decreases in their efficiency ratios, of 3.14 p.p. and 12.56 p.p. respectively whereas Denmark and Finland recorded increases in their ratios of 0.60 p.p. and 14.49 p.p. respectively, during 1Q22 compared to the same quarter of the previous year.

Peer Group



- ▶ The most efficient Nordic Peer Group during this quarter was Sweden, which recorded an average efficiency ratio of 38.30%.
- ▶ **Denmark:** the Peer Group average cost-to-income ratio recorded an increase with respect to 1Q21, of 0.60 p.p., standing at 54.46% in 1Q22. Nordea was the most efficient entity during this period with a ratio of 39.10%.
- ▶ **Norway:** the average Peer Group efficiency ratio stood at 41.17% after a 3.14 p.p. decrease from 1Q21. DNB recorded a cost-to-income ratio of 39.40% and therefore stood as the most efficient entity.
- ▶ **Sweden:** the average cost-to-income ratio of the Peer Group decreased by 12.56 p.p. from 1Q21, standing at 38.30% in 1Q22. Handelsbanken was the most efficient entity in Sweden during the period having an efficiency ratio of 37.12%.
- ▶ **Finland:** the efficiency ratio of the Peer Group entities, standing at 69.76%, recorded a 14.49 p.p. increase from 1Q21. In 1Q22, OP Financial group was the entity to register the lowest efficiency ratio (65.95%).



2. International Overview

LatAm

During the first quarter of 2022, the economic recovery in all the countries analysed registered a moderation compared to the previous quarter. This was explained by the outbreak of the war in Ukraine and the resulting increase in inflation and worsening bottlenecks. On the other hand, the mixed recovery in the labour market continued to consolidate, albeit at a slower pace than that of economic activity.

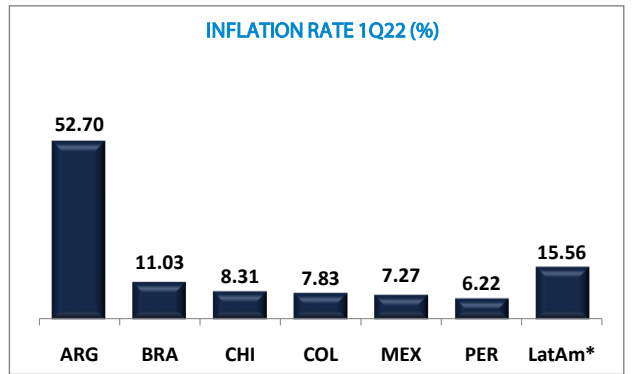
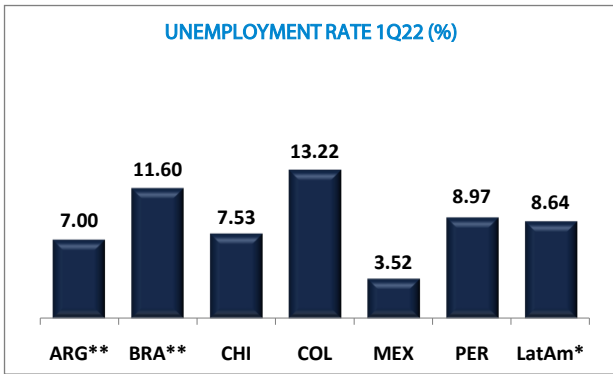
Macroeconomic Overview

- ▶ The recovery of economic activity in Latin America was dampened in the first quarter of the year. The outbreak of conflict in Ukraine has dampened global growth prospects for the coming quarters. The conflict itself and the response of the international community, with economic sanctions against Russia, have increased uncertainty, tightened financing conditions, aggravated bottlenecks and raised energy and food prices, which have also been affected in the second half of 2021 by geopolitical tensions. This has dampened households' purchasing power and increased firms' production costs. Colombia* recorded the highest year-on-year growth rate (8.15%) while Mexico registered the lowest rate at 2.23%.
- ▶ In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has revised downwards its forecast for the Latin American economy for 2022 to 1.80% growth in the region. Global trade dynamics are also expected to be negatively affected by the conflict, leading to a decline in Latin America's external demand. According to the IMF, global growth is expected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than in the last report. In its December update, the OECD placed its forecasts for Argentina and Colombia above the OECD average (2.70%) in 2022.
- ▶ Inflation has picked up markedly and across the board in the region. Although this pick-up appears to be predominantly transitory in nature, central banks in the region have embarked on a cycle of monetary policy tightening. Higher inflationary persistence is expected to restrict the room for manoeuvre of monetary policy. Argentina was once again the country with the highest inflation rate at 52.70% while Peru recorded the lowest price increase with 6.22% inflation in 1Q22.
- ▶ During the first quarter of 2022, the labour market continued to recover from the economic consequences of the pandemic, but the negative effects on the labour market are proving more persistent than on activity. Most countries recorded declines in their unemployment rate compared to 4Q21. Mexico ranked as the country with the lowest unemployment rate (3.52%) and Colombia with the highest rate (13.22%).

Financial Sector

- ▶ In response to rising inflation, the monetary policy of the region's central banks has become more restrictive and most of them have raised interest rates significantly, which in most cases have reached levels similar to those observed in 2017.
- ▶ The withdrawal of the fiscal impulse is projected to accelerate in 2022, in line with the evolution of macroeconomic conditions and higher financing costs. Public spending would contract, reinforcing the reduction observed in 2021, reducing the contribution of fiscal policy to economic growth.
- ▶ With regard to their ratings, all Latin American countries kept their ratings constant in the first quarter of the year, except Peru, which went from an S&P rating of BBB+ to BBB during this period. This rating considers that, while the country has good credit quality with adequate capacity to meet its financial obligations, this capacity could be affected by its exposure to adverse economic conditions.
- ▶ Finally, there was a notable slowdown in lending, partly linked to the general withdrawal of support programmes, with only Colombia increasing its lending. As regards deposits, all countries recorded positive year-on-year growth during the period, with the exception of Peru. Most of them, except Chile and Colombia, decreased their rate compared to the previous quarter. Colombia presented the largest increase in its rate, after an acceleration of 1.54 p.p. compared to 4Q21.

*Colombia recorded the highest growth rate in the absence of updated data from Argentina and Brazil.



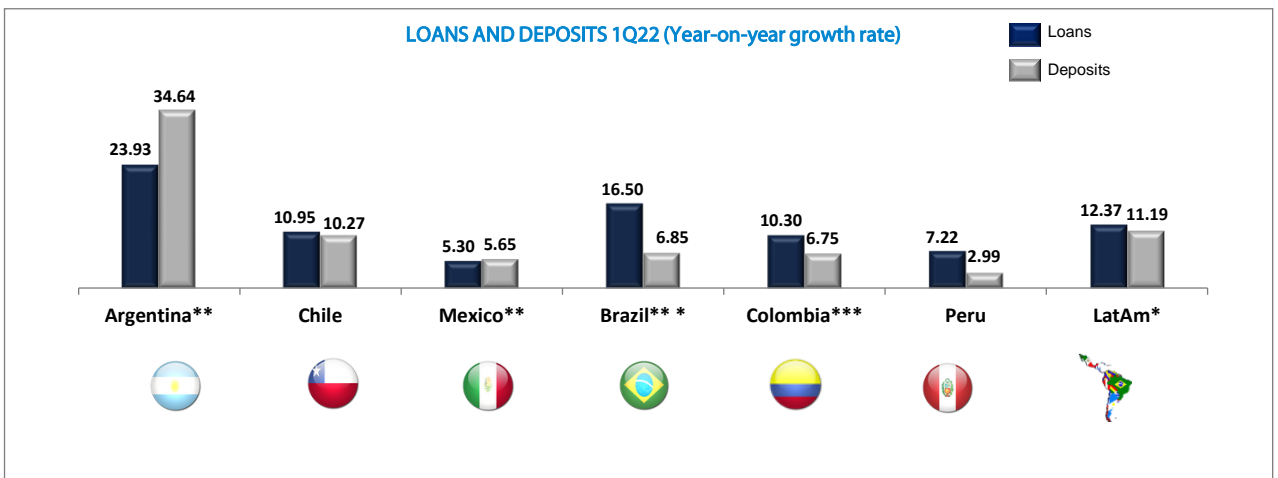
LONG TERM RATES 1Q22

	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 -

▲ Increase since 4Q21

— Constant since 4Q21

▼ Decrease since 4Q21



*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 1Q22, except for Argentina, Mexico and Brazil's deposits (4Q21)
 *** Data corresponding to Colombia and Brazil's loans are the average of January and February 2022.

2. International Overview

OECD & China

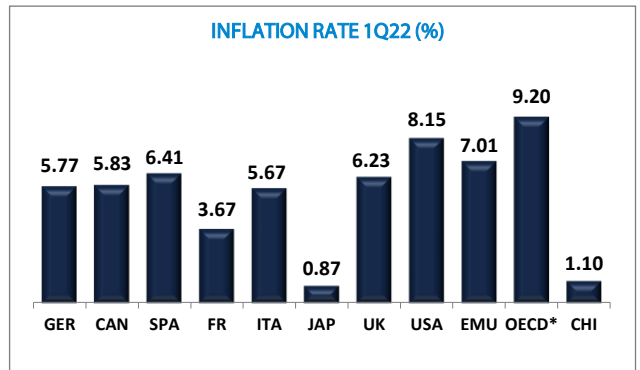
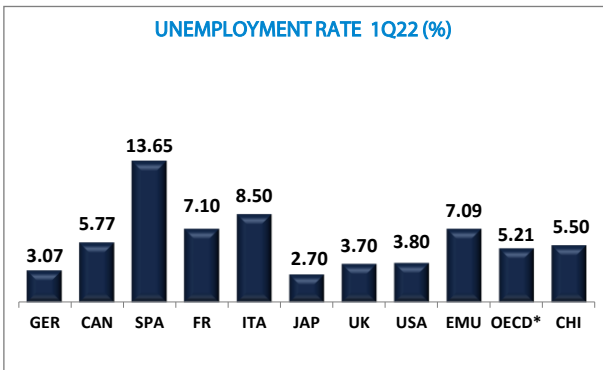
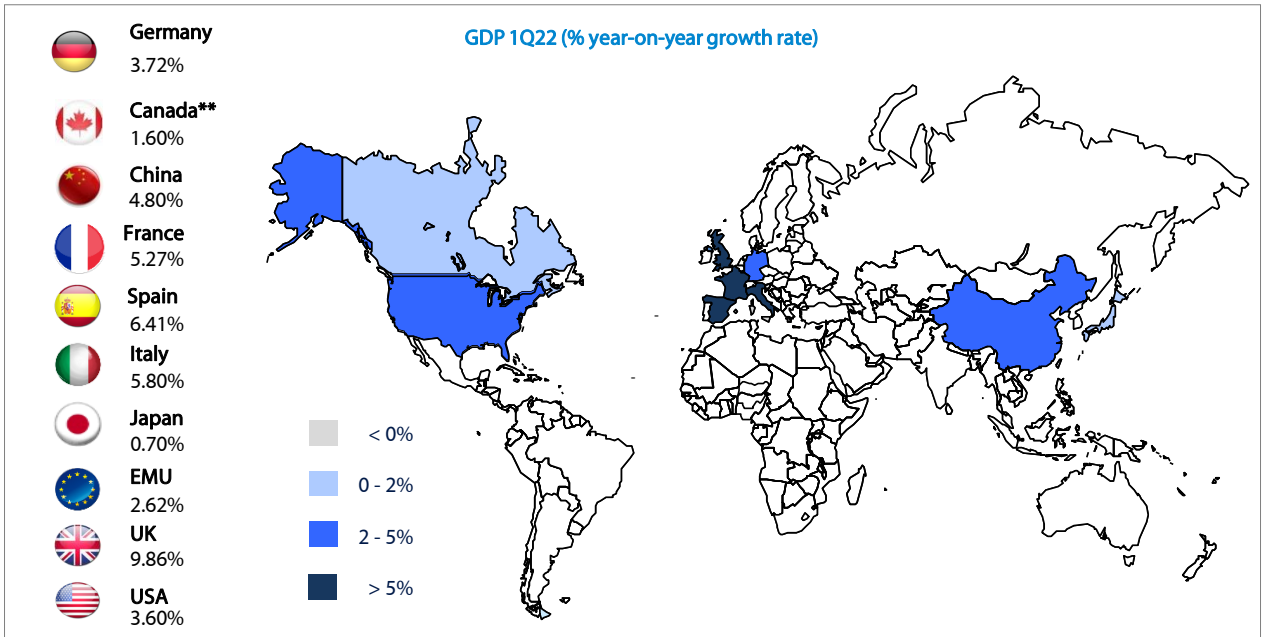
In the first quarter of 2022, the recovery in economic activity in OECD countries decelerated. This was explained by rising inflationary pressures as a result of higher energy prices. However, exports from most G20 and OECD countries increased. Labour markets generally contracted.

Macroeconomic Overview

- ▶ In the first quarter of 2022, the Eurozone continued to recover with a year-on-year GDP growth rate (2.62%), decelerating from the previous quarter. Consequently, the OECD in its June forecast expects year-on-year GDP growth for 2022 and 2023 to be 2.60% and 1.60%, respectively, down slightly, however, from its December forecast. The European Commission acknowledges a slower than expected economic recovery, affected by the outbreak of the war in Ukraine. The labour market worsened compared to the last quarter, but is expected to improve slightly later on. However, the Commission warns about inflation and its higher persistence over the time horizon, thus slowing the pace of recovery in the short term. Among the countries analysed in the region, the UK, Spain and Italy recorded the highest year-on-year GDP growth rates (9.86%, 6.41% and 5.80%, respectively).
- ▶ The United States continued the recovery of its economic activity in this period with another positive year-on-year GDP growth rate of 3.60%, decelerating from 4Q21. The Fed modified its previous projections, predicting a smaller 2.8% increase in GDP in 2022, followed by a 2.2% increase in 2023, and a 2% increase in 2024. Meanwhile, the UK recorded higher GDP growth during this period compared to the previous quarter, with a rate of 9.86%. The conflict in Ukraine and rising inflation have led to a significant deterioration in the UK's growth outlook. These events have greatly exacerbated the combination of adverse supply shocks that the UK continues to face.
- ▶ China recorded a lower GDP growth rate during the first quarter compared to 4Q21, with a rate of 4.80%. Despite the challenges posed by the new outbreaks of COVID-19 and geopolitical uncertainties, the Chinese economy continues to recover. Similarly, Japan recorded in 1Q22 a slight acceleration in the GDP rate compared to 4Q21, rising from 0.69 p.p. to 0.70%. In 2022, the OECD estimates Chinese and Japanese GDP growth of 4.40% and 1.70% respectively.
- ▶ Foreign trade in the G20 countries continued to grow between January and March in monetary terms due to higher commodity prices and inflation, exacerbated by the conflict in Ukraine and covid restrictions in China and East Asia. The OECD said in a statement on Tuesday that exports from the group of the world's 20 largest economies rose by 3.6 % between January and March from the previous quarter, while exports grew by 5.8 %. In the first three months of this year, exports from the European Union as a whole rose by 3 %. Within the G20 countries as a whole, exports increased by 20.2 % in Brazil and 11.5 % in Argentina. On the other hand, exports from the United Kingdom fell by 1.6% and from Germany by 0.1%.
- ▶ In 1Q22 inflation rose in all the economies analysed with respect to 1Q21, with the most pronounced increases in the United States and Spain. For its part, the EMU registered an acceleration of 5.71 p.p. compared to 1Q21. China registered the smallest increase compared to 1Q21, with inflation of 1.10%. Inflation grew at a frenetic pace due to the energy component. On the other hand, all economies contracted their labour markets, except Spain and China, which recorded slight increases.

Financial Sector

- ▶ Spain upgraded its S&P rating, raising its grade from A- to A.
- ▶ Regarding the monetary policies of the different countries, the Fed raised interest rates by 25 basis points to curb inflation during the first quarter of 2022 while the ECB has decided to end net asset purchases under its asset purchase programme (APP) as of 1 July 2022.
- ▶ During the period, year-on-year growth in lending slowed down in all countries except Germany, Canada and the UK compared to 1Q21, Japan being the country with the highest rate of decline (-4.75%). Deposit growth declined for all countries compared to 1Q21, except for the UK. The US recorded the second largest year-on-year rate of decline (-9.01%) after Japan (-9.24%).



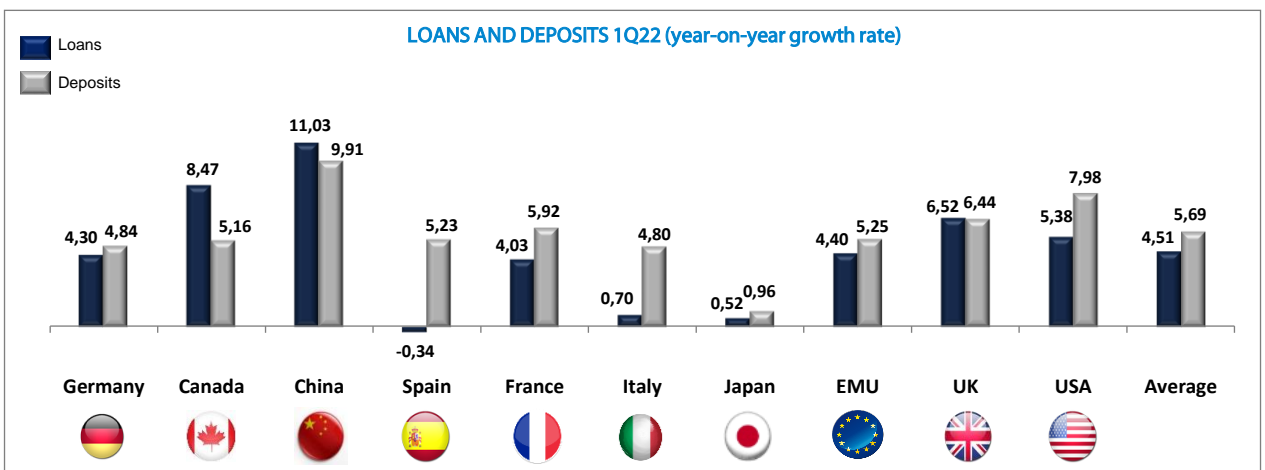
LONG TERM RATINGS 1Q22

	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 -

▲ Increase since 4Q21

— Constant since 4Q21

▼ Decrease since 4Q21



*OECD aggregate data, latest available data at publication date corresponds to 4Q21

**Data corresponds to 4Q21

3. Nordics Macroeconomic Overview

Denmark

During 1Q22, Denmark continued its economic growth but much slower than in previous quarters. GDP increased alongside employment and inflation grew above the 2% central bank target.

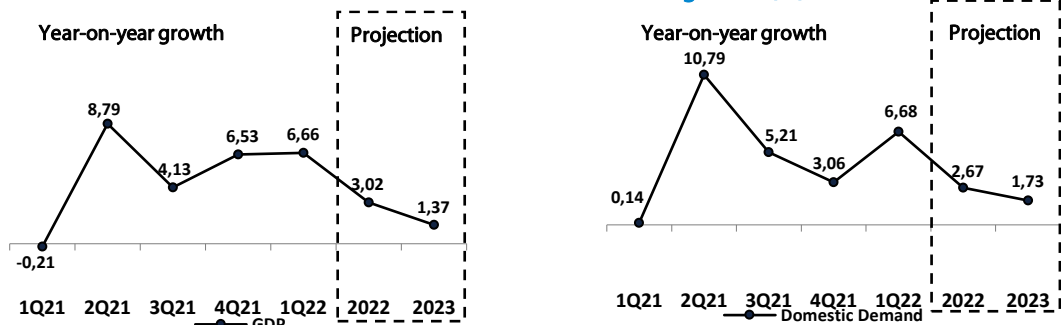
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP	-0,21	8,79	4,13	6,53	6,66	3,02	1,37
DOMESTIC DEMAND	0,14	10,79	5,21	3,06	6,68	2,67	1,73
PRIVATE CONSUMPTION	-1,48	9,73	5,11	3,35	6,88	1,25	1,15
GOVERNMENT CONSUMPTION	2,64	8,66	2,65	1,35	0,23	-2,44	0,87
GROSS CAPITAL FORMATION	0,66	15,20	8,14	4,26	13,19	3,17	3,09
EXTERNAL DEMAND							
EXPORTS	0,64	12,12	7,05	12,59	4,35	3,18	3,61
IMPORTS	1,33	16,82	9,94	3,74	3,45	3,84	3,97
INFLATION							
CPI	0,73	1,63	1,87	3,17	4,83	5,20	3,85
LABOUR MARKET							
UNEMPLOYMENT	6,10	5,20	4,80	4,50	4,40	5,06	5,52
EMPLOYMENT	-1,54	2,35	2,59	2,82	3,78	2,69	0,32

Source: StatBank Denmark. Projections from the OECD June 2022.

- ▶ During the first quarter of the year, GDP continued its recovery on track reaching a 6.66% growth. Denmark's economy has suffered a slowdown in its economic boom, due to high energy prices and increased uncertainty that dampened investments and consumption. Regardless, private consumption has continued with a solid growth due to households having large liquid assets that were built during the pandemic.
- ▶ Inflation rose sharply in the first quarter of the year 2022, driven mainly by food prices and other imported goods. Inflationary impulses from abroad have been stronger than expected, as a reflection of global inflationary pressures being on the way up and stronger than anticipated. Other main drivers for the rise in inflation are higher commodity and energy prices. Inflation was already high due to supply and demand imbalances during the pandemic and it has risen more due to the conflict in Ukraine.
- ▶ When it comes to the labour market; employment has increased significantly despite reported great labour shortages. Besides, there are prospects in the coming years that reforms for a higher retirement age will increase the labour force and contribute to reducing labour market pressure. Unemployment decreased slightly, reaching a near 50-year low.
- ▶ Concerning exports, the slowdown in the Danish export market, impacts Danish exports, and, concurrently, large consumer price increases and a subdued appetite for consumption and investment have weakened domestic demand in the beginning of this year.

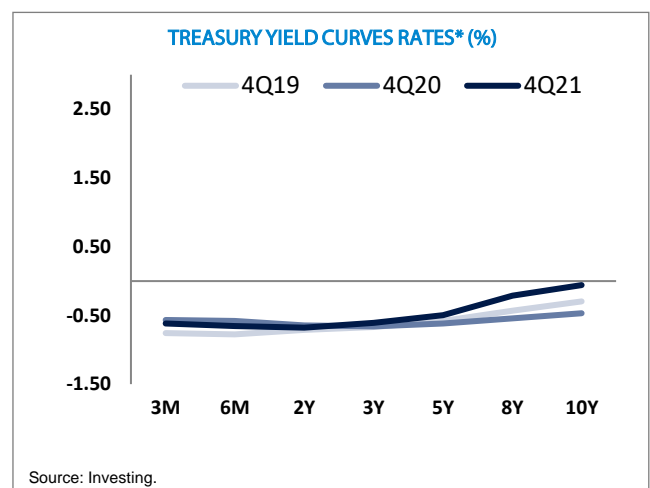
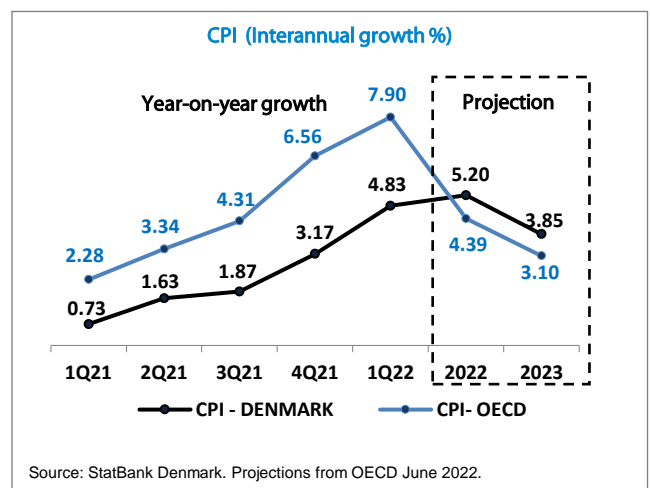
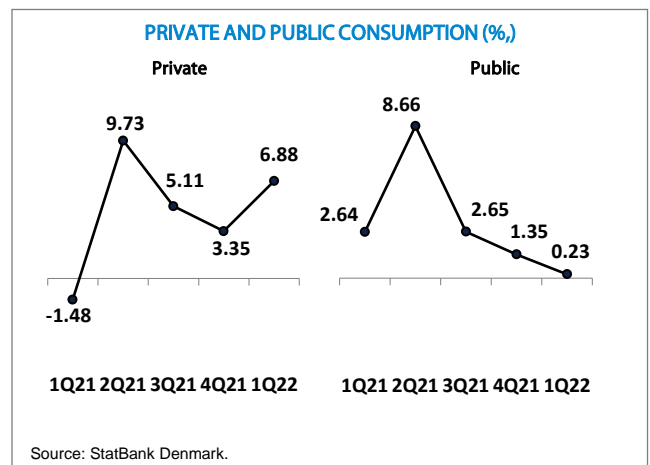
GDP and domestic demand interannual growth (%)



Source: StatBank Denmark. Projections from the OECD June 2022

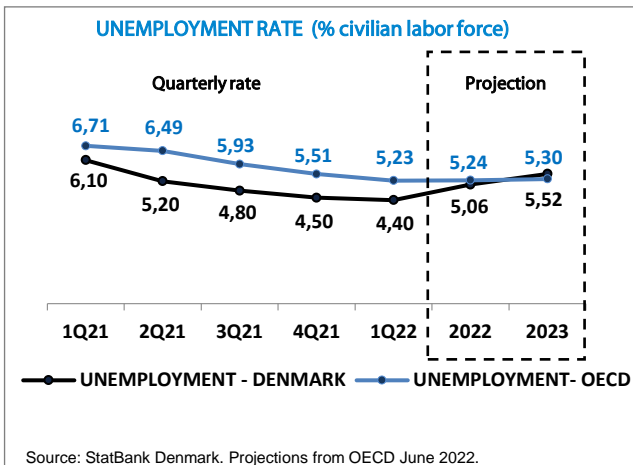
In the first quarter of 2022, private consumption recorded a rise on its y/y growth rate compared to the previous quarter, standing at a 6.88% rate. On the other hand, the inflation rate rose significantly, standing at a 4.83% rate in 1Q22, following worldwide inflationary pressure.

- ▶ During the first quarter of the year, private consumption stopped its downward trend mainly due to the disbursement of frozen holiday pay, reaching a 6.88% y/y growth rate and increasing by 3.54 p.p. when compared to the previous quarter.
- ▶ The OECD forecast for private consumption predicts a year-on-year growth rate of 3.73% for 2022. Although, it expects private consumption to smoother in 2023, growing at a 1.69% rate.
- ▶ When it comes to government consumption, its year over year growth rate decreased by 1.12 down to a 0.23% rate. Private and public consumption behaved rather quite differently.
- ▶ In the first quarter of 2022, Denmark registered an inflation rate of 4.83%, which was 1.67 p.p. above the rate recorded in the previous quarter. This increase led the CPI to overpass the central bank's 2% inflation target. Besides, rents will have a crucial significance for inflation, as they account for approximately 22% of the consumer price index. Increasing energy costs have added to many homeowners' fixed expenses, making it more expensive to be a homeowner compared to a year ago.
- ▶ According to Danske Bank, inflation rose sharply due to the conflict in Ukraine and the sanctions imposed, which have affected energy and food prices. Inflation is expected to remain high and then fall back in 2023 as energy prices will pull it lower. Inflation was already high due to supply and demand imbalances during the pandemic.
- ▶ In 4Q21*, all bond yields of the Danish sovereign debt, stood at negative levels, following the same trend as in 3Q21.
- ▶ Compared to 4Q19, bond yields experienced increases for all maturities. When compared to 4Q20, 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 increased significantly.

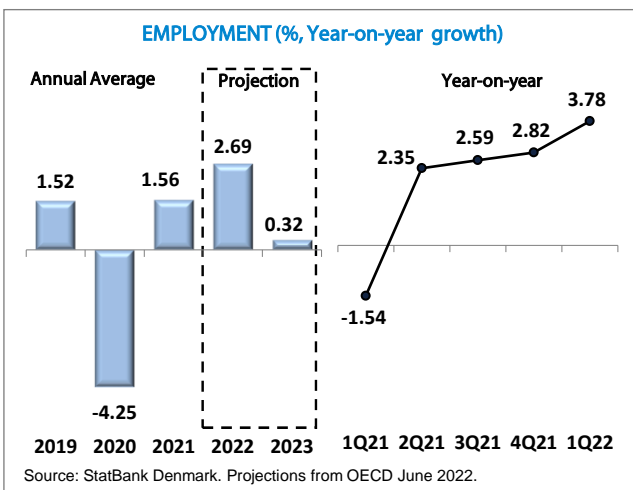


*Latest available data at the date of publication of this report is for 4Q21.

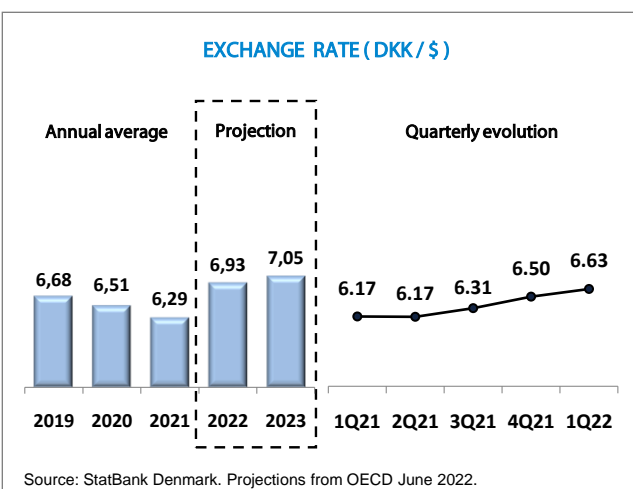
Regarding the labour market, during the first quarter of 2022, the unemployment rate slightly decreased when compared to the previous quarter, down to a 4.40% rate. Moreover, in year-over-year terms, unemployment decreased by 1.70 p.p.. Concerning the y/y growth rate of employment, it stood at 3.78% in the first quarter of 2022. During 1Q22, the Danish krone depreciated against the dollar.



- ▶ During the first quarter of 2022, the unemployment rate decreased by 0.10 p.p. when compared to the previous quarter, down to a 4.40% rate. Moreover, unemployment levels remained below the OECD average (5.23%).
- ▶ According to Danske Bank, unemployment cannot fall much further owing to structural reasons and a scenario with a tight labour market is hence expected in the coming years, with OECD forecast envisioning 5.06% and 5.52% in 2022 and 2023 respectively.
- ▶ Regarding the y/y employment growth rate, it accelerated by 0.96 p.p. when compared to the previous quarter, standing at 3.78%, the fourth positive rate after four consecutive quarters of negative employment growth rates. While the labour force has also expanded, employment growth has resulted in a very tight labour market with widespread labour shortages reported, a large number of job vacancies and nascent signs of accelerating wage growth.
- ▶ Nevertheless, the OECD predicts employment growth to increase although remaining at positive levels in 2022, with an annual growth rate of 2.69%, and to further ease in 2023, falling down to a 0.32% rate.



- ▶ During the first quarter of 2022, the Danish krone depreciated against the dollar, increasing by 0.13 DKK/\$ from the exchange rate recorded in the previous quarter, standing at an average rate of 6.63 DKK/\$.
- ▶ When it comes to bond purchases, the Riksbank has already announced that it plans to keep its balance sheet intact this year before letting it shrink in 2023.
- ▶ According to Danske Bank, the Danish krone (DKK) is still trading on the strong side is to be stabilized at around 6.93 DKK/\$ in 2022.



Norway

Norwegian recovery smothered during the first quarter of the year, although registering positive figures. Labour market recovery pursued alongside increasing wages. Nevertheless, inflation grew significantly due to high energy, commodity and food prices.

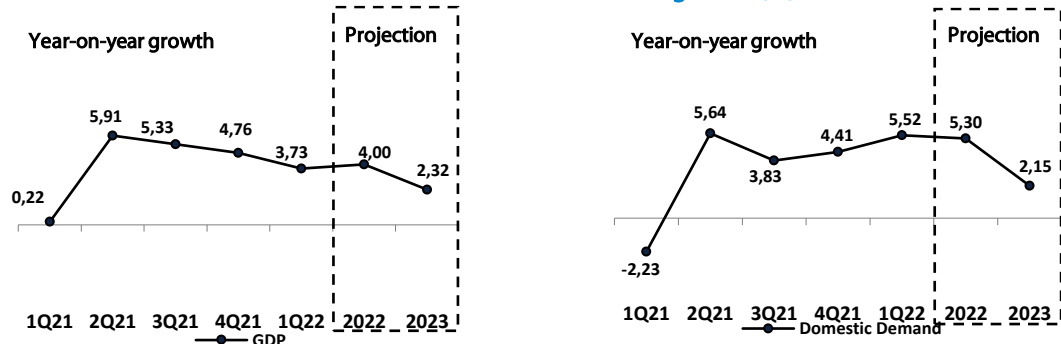
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP	0,22	5,91	5,33	4,76	3,73	4,00	2,32
DOMESTIC DEMAND	-2,23	5,64	3,83	4,41	5,52	5,30	2,15
PRIVATE CONSUMPTION	-4,33	8,92	6,33	8,15	10,11	7,85	1,50
GOVERNMENT CONSUMPTION	2,47	7,06	4,14	1,59	1,33	0,08	1,21
GROSS CAPITAL FORMATION	-3,23	-0,70	-0,69	1,01	2,23	4,33	2,53
EXTERNAL DEMAND							
EXPORTS	-1,50	6,81	9,81	5,18	1,85	8,01	3,10
IMPORTS	-13,69	9,59	6,61	7,12	12,66	11,54	2,70
INFLATION							
CPI	2,97	2,87	3,50	4,63	3,80	4,64	3,28
LABOUR MARKET							
UNEMPLOYMENT	5,00	5,10	4,20	3,40	3,30	2,82	2,80
EMPLOYMENT	-1,06	2,70	3,84	4,10	4,67	3,03	0,60

Source: Statistisk sentralbyrå (Statistics Norway). Projections from the OECD June 2022.

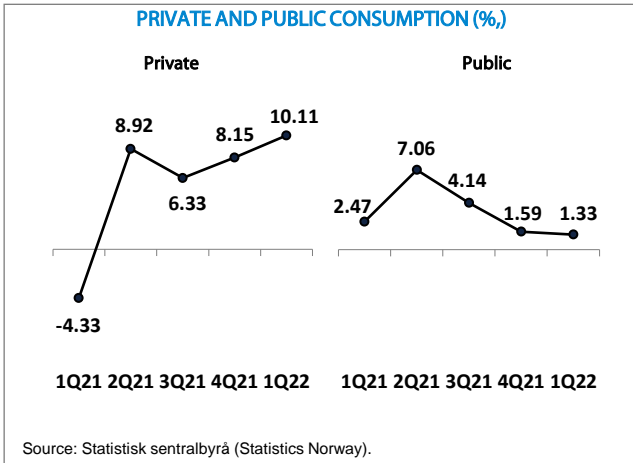
- ▶ During 1Q22, economic growth in Norway slightly shrank owing to recent restrictions derived the increase in prices, although remaining positive with a GDP year over year rate of 3.73%. Private consumption has been the most important growth driver, although it increased more slowly, probably as a result of lower real wage growth. The bulk of the recovery effect from the pandemic is now over, and firms are feeling the effects of bottlenecks and higher cost growth.
- ▶ Concerning CPI, inflation didn't follow the global trend and it decreased reaching 3.80% during the first quarter. During the first two months it decreased considerably, mainly due to housing price inflation which has been strong so far this year. During March, inflation rose again mainly due to higher prices for food and other imported goods, commodity and energy prices.
- ▶ When it comes to the labour market, unemployment fell in the beginning of 2022 due to the strong demand for labour, despite the pandemic restrictions in place from early December to mid-February, hitting 3.30%, while employment climbed up to 4.67%. Despite this strong employment growth, there were 95,600 vacancies, only 700 fewer than at the start of the quarter. This points out the extremely strong growth in demand for labour given the big increase in employment during the same period. Although the balance in the labour market has improved somewhat, there are still significant bottlenecks.
- ▶ Regarding exports, labour shortages hampered exportations growth as there were still some complications with crossing borders.

GDP and domestic demand interannual growth (%)

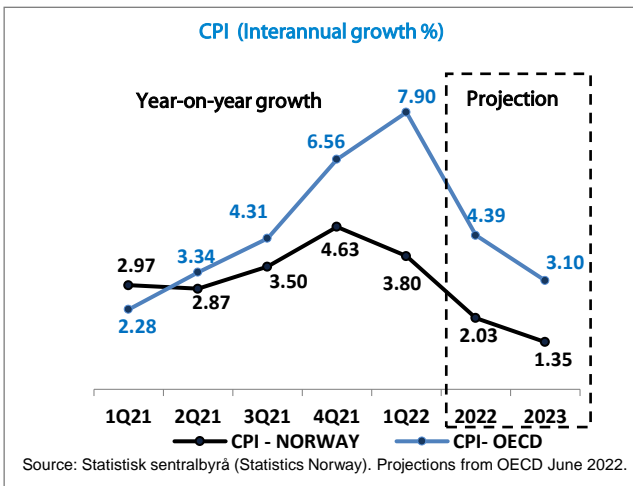


Source: Statistisk sentralbyrå (Statistics Norway). Projections from the OECD June 2022.

In the first quarter of 2022, private consumption gained momentum compared to the previous quarter, standing at a 10.11% rate. The inflation rate decreased, reaching a 3.80% rate in 1Q22. All yields stood at positive levels while escalating within the time frame, being the highest at 2.59 for 5Y maturities.



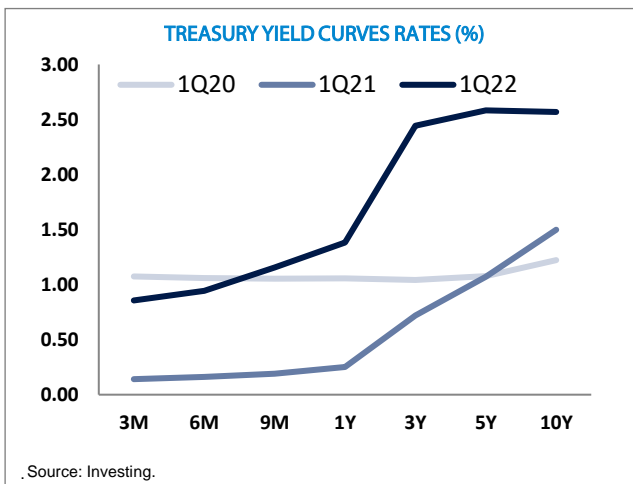
- ▶ During the first quarter of the year, private consumption climbed up to 10.11% after raising by 1.96% when compared to the previous quarter. Private consumption was hence the main driver of economic growth.
- ▶ The OECD forecast for private consumption predicts a year-on-year significant growth rate of 7.85% for 2022. However, it expects private consumption to ease and normalize in 2023, growing at a 1.50% rate. These results are essentially driven by a gradual normalization of consumption and a faster spending of cumulative savings derived from pandemic's restrictions.



- ▶ Government consumption decreased although remaining still accommodative, reaching 1.33% after falling by 0.25p.p.. Most recent OECD forecasts, predict a progressive slow-down of public expenditure during the timeframe although fiscal boost aiming to cope with negative income effects will be extended during 2022.

- ▶ In the first quarter of 2022, Norway registered an inflation rate of 3.80%, which was 0.83 p.p. below the rate recorded in the previous quarter. Moreover, the CPI was still below the OECD average inflation rate in the first quarter of 2022 (7.90%).

- ▶ In the first quarter of 2022, all bond yields of the Norwegian sovereign debt, stood at positive levels, following the same pattern as in the previous quarter.

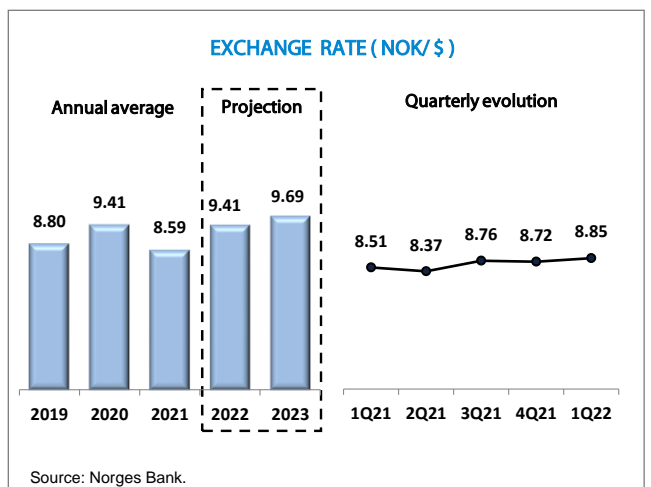
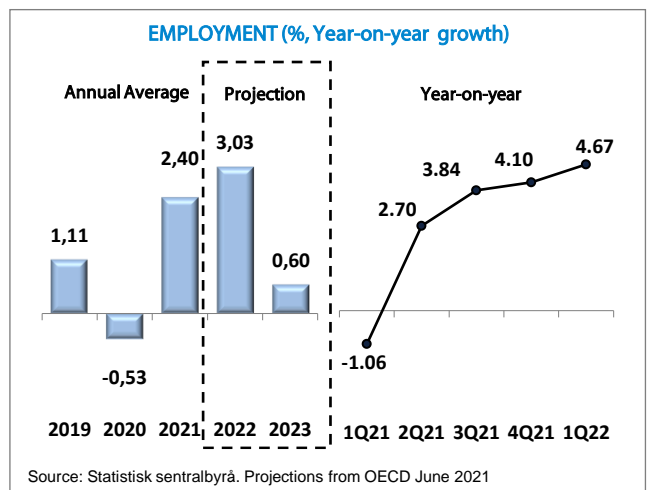
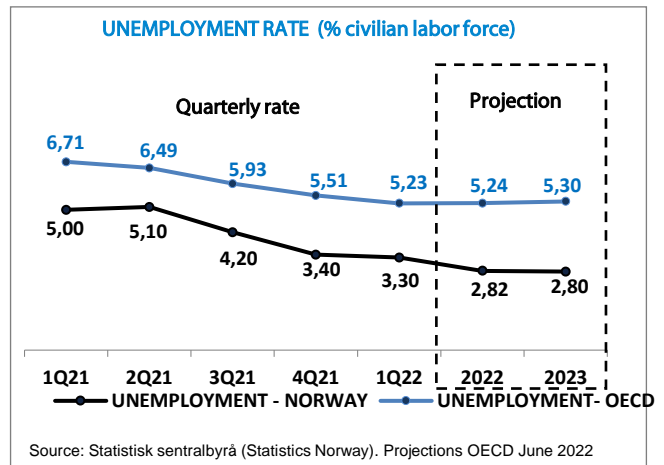


- ▶ Compared to the first quarter of 2020, bond yields experienced decreases for 3 month and 9 month maturities. The sharpest fall corresponded to the 3M, with a decline of 0.22 p.p..

- ▶ When compared to the first quarter of 2021, all bond yields increased. Long-run maturities experienced the highest increases, being the sharpest rise for 3Y maturities with a 1.73 p.p. rise. The central bank continues the normalisation of monetary policy, raising its policy rate by 25 bp to 0.75% in March.

Regarding the labour market, during the first quarter of 2022, the unemployment rate decelerated compared to the previous quarter, down to a 3.30% rate. Moreover, in year-over-year terms, unemployment decreased by 1.70 p.p.. Concerning the y/y growth rate of employment, it stood at 4.67% in the first quarter of 2022, continue with its upward trend. During the first quarter of 2022, the Norwegian krone depreciated against the dollar.

- ▶ During the first quarter of 2022, the unemployment rate decreased by 0.10 p.p. when compared to the previous quarter, down to a 3.30% rate. Furthermore, unemployment levels remained well below the OECD average (5.23%).
- ▶ According to the predictions of the OECD, unemployment is expected to decrease in 2022, reaching a 2.82% rate, and to decline in the following year, falling to a 2.80% rate.
- ▶ Regarding the y/y employment growth rate, it accelerated by 0.57 p.p. when compared to the previous quarter, standing at 4.67%, the fourth positive rate after four consecutive quarters of negative employment growth rates. This performance came alongside increasing wages.
- ▶ Nevertheless, the OECD predicts for employment a softer growth in 2022, with an annual growth rate of 3.03%, and to continue the pattern in 2023, slowing down to a 0.60% rate.
- ▶ According to Norges Bank, unemployment has fallen as the pandemic normalized. However, a closer look at flows in the labour market shows that there were around 40,000 fewer foreign nationals on temporary work permits than normal, partly because there are still some complications with crossing borders and substantial labour shortages in neighbouring countries.
- ▶ During the first quarter of 2022, the Norwegian krone depreciated against the dollar, increasing by 0.13 NOK/\$, from the exchange rate recorded in the previous quarter, standing at an average rate of 8.85 NOK/\$.
- ▶ The fluctuations experienced by NOK remain conditioned to mainly global factors. Rising global real rates, tighter monetary policies and the slow/reverse of the rise in inflation expectations, will act as headwinds for commodities and commodity-based currencies such as the NOK.



Sweden

The Swedish economy worsened during the first quarter of 2022, driven by a decrease in all its components. Inflation escalated to 4.63% and the unemployment increased, although remaining at pre-pandemic levels.

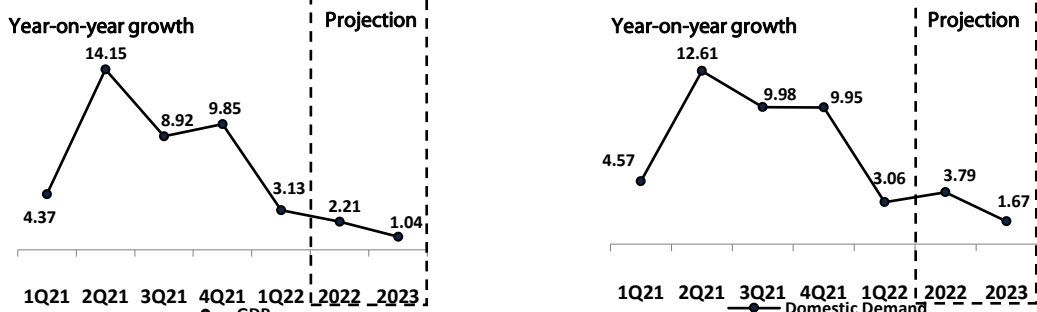
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP	4,37	14,15	8,92	9,85	3,13	2,21	1,04
DOMESTIC DEMAND	4,57	12,61	9,98	9,95	3,06	3,79	1,67
PRIVATE CONSUMPTION	2,27	12,86	11,02	12,04	5,95	3,22	0,47
GOVERNMENT CONSUMPTION	4,76	7,83	5,74	5,08	-0,05	1,64	1,58
GROSS CAPITAL FORMATION	8,52	17,46	12,69	11,51	1,37	5,56	1,95
EXTERNAL DEMAND							
EXPORTS	4,04	25,00	10,68	7,94	4,95	4,61	3,49
IMPORTS	5,31	21,40	13,90	10,58	7,20	5,57	3,81
INFLATION							
CPI	1,57	1,77	2,00	3,33	4,67	6,47	5,41
LABOUR MARKET							
UNEMPLOYMENT	9,70	9,90	8,20	7,50	8,10	7,40	7,35
EMPLOYMENT	-2,64	0,53	1,15	0,49	3,12	2,78	1,37

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

- ▶ The Swedish economy decreased during the first quarter of 2022, due to increasing uncertainties, reaching a GDP of 3.13%. Household consumption went down in March and consumer confidence as plummeted, reaching the lowest level since 2008.
- ▶ Supply chain issues continue to affect the economy as there have been several successive disruptions. First, the pandemic had a negative effect through rising global freight rates and commodity costs. Now, the conflict in Ukraine has pushed energy and commodity prices up again, which is dampening households' purchasing power, therefore lowering private consumption.
- ▶ When it comes to the labour market, there has been a substantial improvement regarding employment. Unemployment declined for the first time in four quarters, although it remains at pre-pandemic levels. Moreover, hours worked is still lagging, mainly because of sickness absence caused by the pandemic. However, long-term structural unemployment remains an issue. Besides, employment growth is still challenging, especially in those sectors most affected by the pandemic, such as retail, tourism, and transport.
- ▶ Concerning prices, inflation continues its rising pattern reaching 4.67% levels, oversetting hence central bank target at 2.00%. Headline inflation in March was at its highest level for a decade, driven largely by higher energy costs. Energy prices, which are sensitive to weather and the balance of supply and demand in neighboring countries, could hold back demand if they pursue.

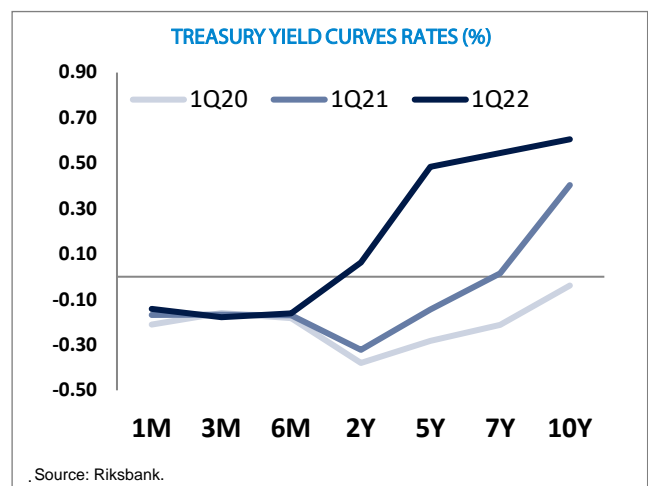
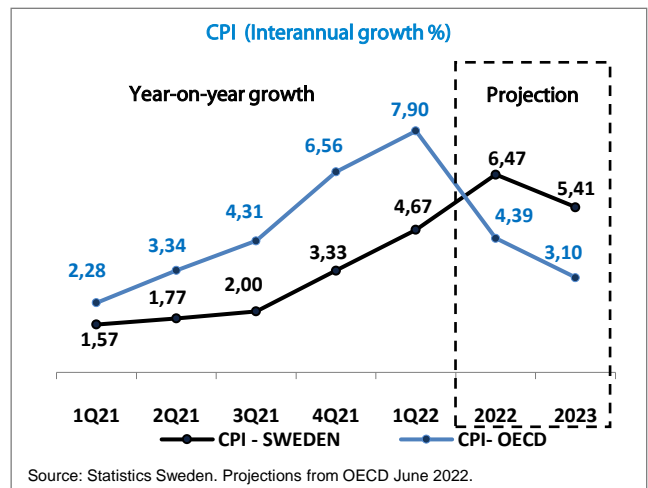
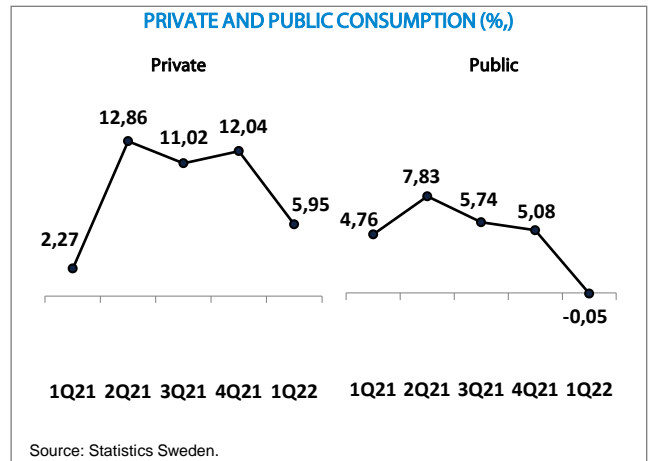
GDP and domestic demand interannual growth (%)



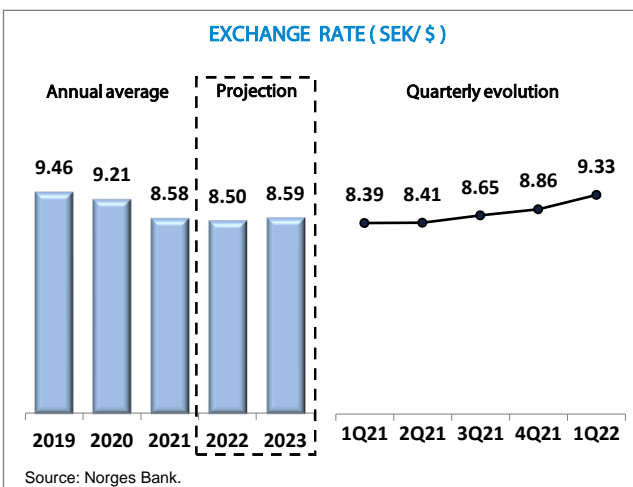
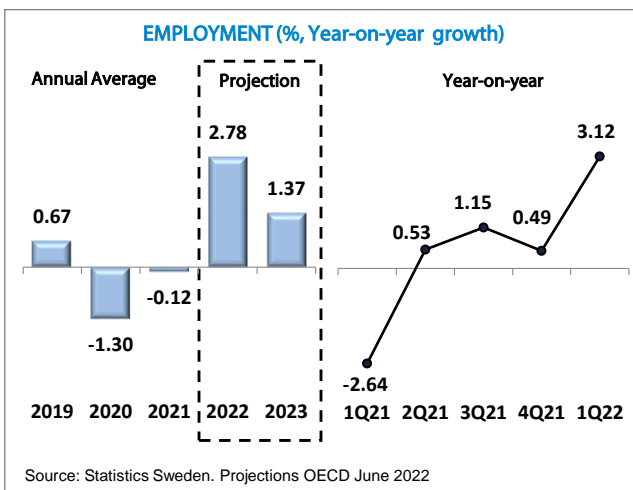
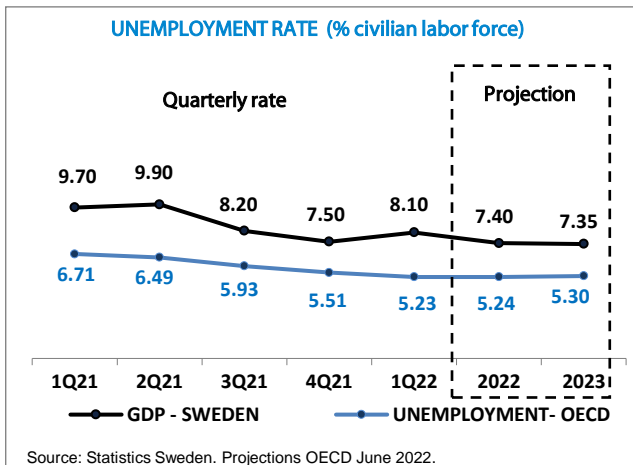
Source: Statistics Sweden. Projections from the OECD June 2022

In the first quarter of 2022, private consumption declined considerably its y/y growth rate compared to the previous quarter, standing at a 5.95% rate. In the same line, the inflation rate rose, standing at a 4.67% rate in 1Q22 following worldwide inflationary pressure. Short- and medium-term yields stood at negative levels while long-run yields remained positive.

- ▶ During the first quarter of the year, private consumption declined; although still leading economic domestic demand growth and standing at a 5.95% y/y growth rate after decreasing by 6.09 p.p. when compared to the previous quarter.
- ▶ The OECD forecast for private consumption predicts a year-on-year growth rate of 3.22% for 2022. However, it expects private consumption to smooth in 2023, growing at a 0.47% rate.
- ▶ When it comes to government consumption growth, it stood at negative levels for the first time since 4Q20. According to Danske Bank, the fiscal framework needs to be overhauled because the surplus target is at odds with the debt anchor. The current surplus should be abolished, allowing central government to run deficits to the extent that Maastricht debt can be kept constant at the level of the debt anchor.
- ▶ In 1Q22, Sweden registered an inflation rate of 4.67%, which was 1.34 p.p. above the rate recorded in the previous quarter. The CPI was well below the OECD average inflation rate in the fourth quarter of 2021 (7.90%). High energy prices persistence could dampen household consumption as well as production in energy-intensive industries.
- ▶ Inflation was mainly boosted by electricity prices, which increased in all EU countries, and by the bottlenecks that are still present in worldwide supply-chains. OECD has recently updated its inflation forecast for the next year and it expects prices to gradually stabilize to a 5.41% rate.
- ▶ In the first quarter of 2022, short- and medium-run bond yields of the Swedish sovereign debt stood at negative levels, following the same pattern as in the previous quarter.
- ▶ Compared to the first quarter of 2020 and 2021, bond yields experienced increases for all maturities, except for 3 month maturities.



Regarding the labour market, during the first quarter of 2022, the unemployment rate accelerated compared to the previous quarter, up to a 8.10% rate. However, in year-over-year terms, unemployment decreased by 1.60 p.p.. Concerning the y/y growth rate of employment, it stood at 3.12% in the first quarter of 2022, accelerating its pace. During the first quarter of 2022, the Swedish krona depreciated against the dollar.



- During the first quarter of 2022, the unemployment rate increased by 0.60 p.p. compared to the previous quarter, up to an 8.10% rate. Sweden reached the highest unemployment level among the Nordics countries, standing above the OECD average (5.23%).
- ▶ Regarding the predictions of the OECD, unemployment is expected to slightly decrease in 2022, reaching an 8.10% rate, followed by a decline the following year, falling to a 7.35% rate.
- ▶ Nevertheless, unemployment is still at pre-pandemic levels but remains still quite significant, underlining its structural problems.
- ▶ According to Danske Bank, there is a clear demand for labour as vacancies are record-high as well as employment expectations. The difficulties sourcing labour have also increased, but labour shortages are not yet considered to be greater than those in 2017-2019.
- ▶ The y/y employment growth rate grew by 2.63 p.p. compared to the previous quarter, standing at 3.12%, the fourth positive rate after four consecutive quarters of negative employment growth rates.
- ▶ Nevertheless, the OECD predicts for employment a growth in 2022, with an annual growth rate of 2.78%, and a further slowdown in 2023, declining to a 1.37% rate.
- ▶ During the first quarter of 2022, the Swedish krona depreciated against the dollar, increasing by 0.47 SEK/\$ from the exchange rate recorded in the previous quarter, standing at an average rate of 9.33 SEK/\$.
- ▶ Similarly, compared to the same quarter of the previous year, the average exchange rate has increased by 0.94 SEK/\$, registering a depreciation.

Finland

Economic activity has continued to recover in Finland, although at a lower pace. During the first quarter of the year, GDP year over year growth reached 3.80%. On the labour market, unemployment continued its downward trend for the third consecutive quarter while employment increased by 0.68 p.p. reaching a 3.88% rate.

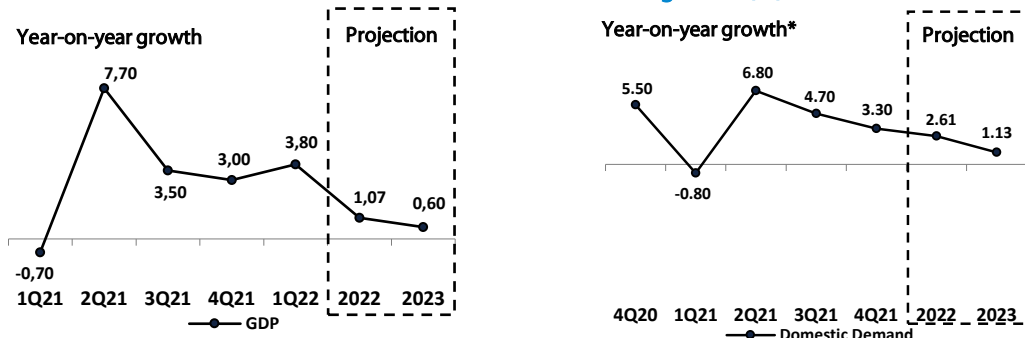
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP	-0.70	7.70	3.50	3.00	3.80	1.07	0.60
DOMESTIC DEMAND	-0.80	6.80	4.70	3.30	n.d	3.55	2.61
PRIVATE CONSUMPTION	-3.30	9.80	3.00	3.90	3.00	0.78	-0.17
GOVERNMENT CONSUMPTION	2.50	3.50	2.70	0.00	1.80	1.41	-0.83
GROSS CAPITAL FORMATION	0.60	3.20	9.10	4.70	n.d	2.81	3.64
EXTERNAL DEMAND							
EXPORTS	-4.70	8.80	10.60	3.10	3.80	3.06	6.06
IMPORTS	-6.90	9.00	7.20	11.70	12.40	2.56	4.98
INFLATION							
CPI	1.04	2.08	2.19	3.45	4.90	6.23	4.58
LABOUR MARKET							
UNEMPLOYMENT	7.97	8.00	7.57	6.97	6.60	7.21	7.74
EMPLOYMENT	-0.61	3.77	2.73	3.20	3.88	1.20	-0.18

Source: Statistics Finland. Projections from OECD June 2022
Data not available for 1Q22 (Domestic Demand and Gross Capital Formation)

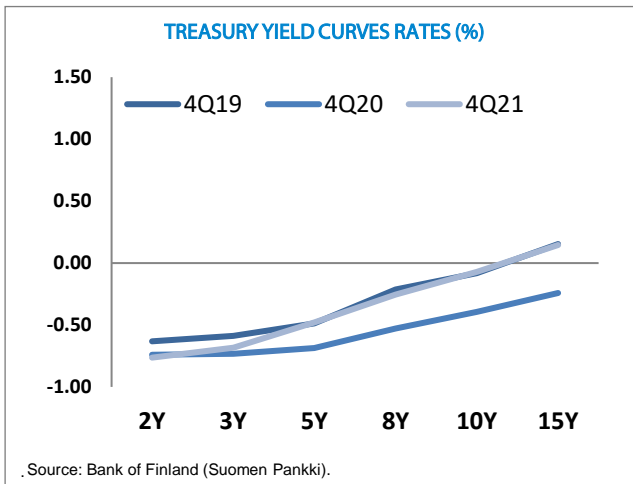
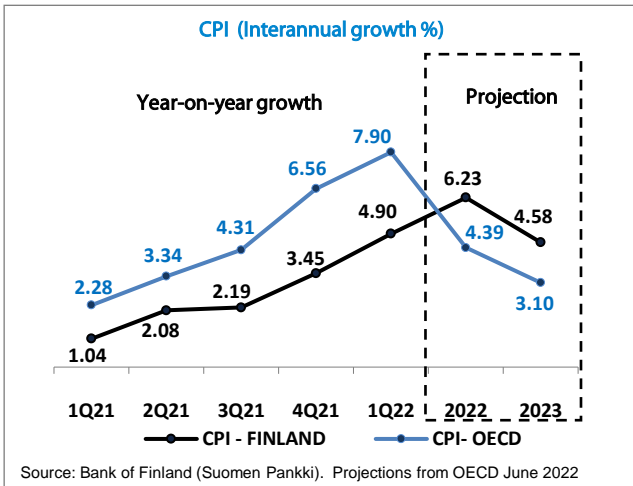
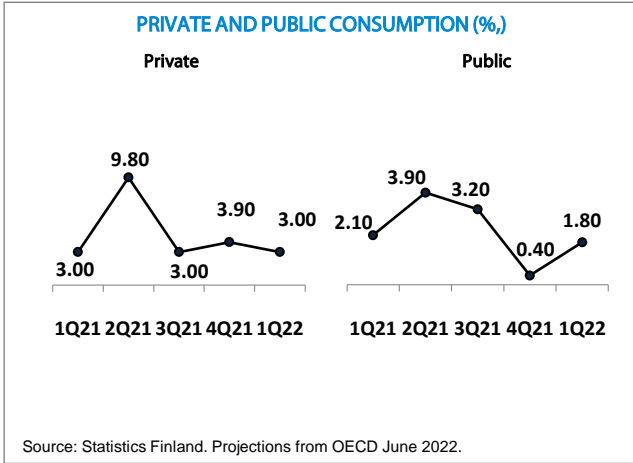
- ▶ The Finnish economy has recovered swiftly from the deep recession caused by the COVID-19 crisis. Global disruptions in supply chains and in component availability, combined with high raw material prices are blunting growth in the economy and driving inflation in Finland, as elsewhere. Thus, during the first quarter, GDP year over year growth reached 3.80%. Although the economic situation remains strong, structural aspects of the economy will limit potential growth.
- ▶ Within domestic demand, the private consumption component declined by 0.90 p.p. to a rate of 3.00%. On the other hand, as regards external demand, exports increased by 0.70 p.p. with respect to the previous quarter registering a value of 3.80% and the value of imports worsened registering an increase of 0.70 to a value of 12.40%.
- ▶ On the labour market, unemployment continued its downward trend for the third consecutive quarter. Employment growth was significant, increasing by 0.68 p.p. from the previous quarter to stand at an employment rate of 3.88%. It is worth noting that the growth compared to the previous year is 4.49 p.p. and the 1Q22 rate consolidates the positive upward trend since 1Q21.
- ▶ Concerning inflation, CPI growth increased substantially, by 1.45 p.p. from the previous quarter, and reached a rate of 4.90%. In Finland, prices have risen due to the consequences of the international environment and the supply chain shutdown. The rise in energy prices has also been widespread and substantial in the wake of the Ukraine crisis.

GDP and domestic demand interannual growth (%)



Source: Statistics Finland. Projections from OECD June 2022
*Data not available for 1Q22 (Domestic Demand).

In the first quarter of 2022, private consumption decreased its y/y growth rate compared to the previous quarter, standing at a 3.00% rate. The inflation rate continued its rising trend overpassing ECB 2% target and standing at a 4.90% rate in 1Q22 following worldwide inflationary pressure. Concerning sovereign debt, all bond yields stood at negative levels, except 15Y, following the previous quarter path.

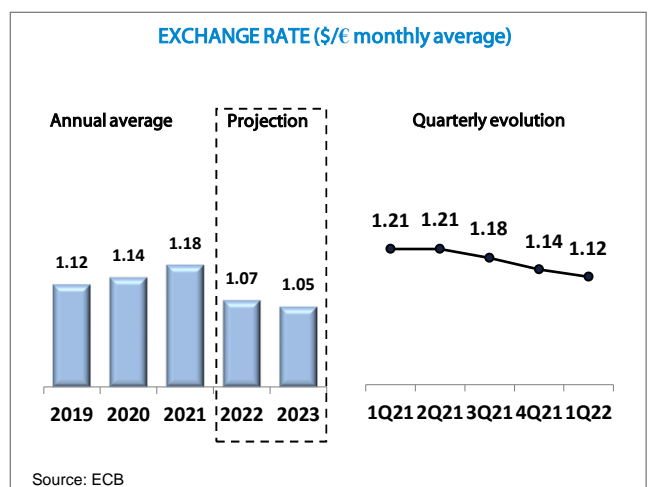
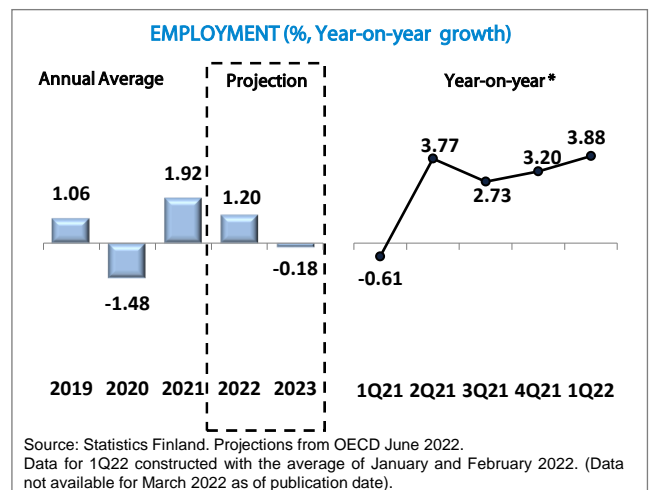
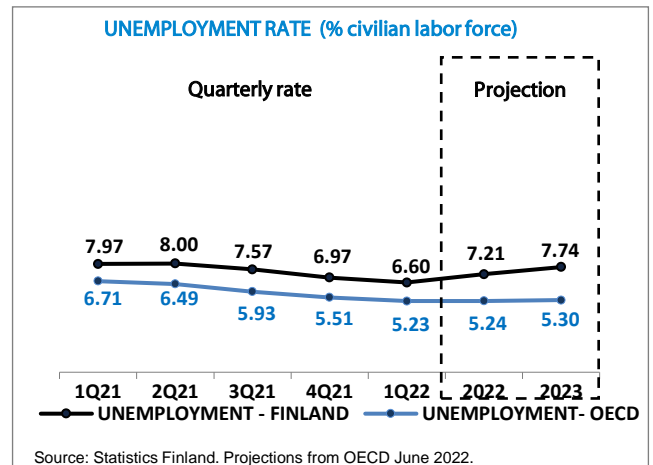


- ▶ During the first quarter of the year, private consumption decline after it expanded last quarter, down to a 3.00% y/y growth rate; decreasing by 0.90 p.p. when compared to the previous quarter.
- ▶ The OECD forecast for private consumption predicts a year-on-year growth rate of 0.78% for 2022. Nevertheless, it expects private consumption to hold back its pace in 2023, growing at a -0.17% 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, it decreased by 0.30 percentage points compared to the same quarter last year and increased by 1.40 p.p. compared to the previous quarter to reach a rate of 1.80%.
- ▶ In the first quarter of the year, inflation kept growing following world inflationary pressure, up to 4.90%. The CPI was below the OECD average inflation rate in the first quarter of 2022 (7.90%). Inflation has gathered pace during 2022 opening room for uncertainty.
- ▶ The main cause of rising inflation is not only the increasing energy prices, but also the increase in food prices. Rising energy and raw material costs have also been reflected in the prices of goods and services.
- ▶ According to OECD, inflation in Finland, as in all countries in this study, will continue to rise, to a value of 6.23% in 2022 but will decrease in 2023 to a value of 4.58%.
- ▶ In the last 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 fourth quarter of 2019, bond yields experienced slight increases for all maturities except for 2Y, 3Y and 8Y maturities. The sharpest increase corresponded to the 5Y, with an increment of 0.01 p.p..
- ▶ When compared to the fourth quarter of 2020, 2Y bond yields decreased while medium and long-term bonds increased. Long-run maturities experienced the highest changes, being the sharpest rise for 15Y maturities with a 0.39 p.p. rise.

*Latest available data at the date of publication of this report is for 4Q21.

Regarding the labour market, during the first quarter of 2022, the unemployment rate decelerated compared to the previous quarter, down to a 6.60% rate. Moreover, in year-over-year terms, unemployment decreased by 1.37 p.p.. Concerning the y/y growth rate of employment, it stood at 3.88% in the first quarter of 2022, keeping at positive levels of growth as restrictions eased. Moreover, the euro depreciated against the dollar when compared to the previous quarter.

- ▶ During the first quarter of 2022, the unemployment rate decreased by 0.37 p.p. when compared to the previous quarter, down to a 6.60% rate. However, unemployment levels remained above the OECD average (5.23%).
- ▶ According to the predictions of the OECD, unemployment is expected to gradually increase in 2022, reaching a 7.21% rate, and to further increase in the following year, up to a 7.74% rate, although still above the 6.07% pre-pandemic rate. According to Danske Bank, open vacancies rose to a new record high and companies continue to point to the lack of skilled labour as the main obstacle to growth.
- ▶ Regarding the y/y employment growth rate, it accelerated by 0.68 p.p. when compared to the previous quarter, standing at 3.88%, the fourth positive rate after four consecutive quarters of negative employment growth rates.
- ▶ Nevertheless, the OECD predicts for employment a gradual decrease in 2022, with an annual growth rate of 1.20%, and to further shrink in 2023, falling to a -0.18% rate.
- ▶ According to Danske Bank, due to the international outlook and the current crisis in Ukraine, trade may be reduced, as well as the domestic economy, which may lead to an increase in layoffs. Despite this, the Bank states that they expect the strong labour market to be able to cope without a significant increase in unemployment.
- ▶ In the first quarter of the year, the euro depreciated against the dollar when compared to the previous quarter, decreasing by 0.02 p.p. and recording a quarterly average exchange rate of 1.12 \$/€.
- ▶ The OECD expects the annual average dollar/euro exchange rate to decline at 1.07 \$/€ for 2022 and further decline at 1.05 \$/€ for 2023, with the US dollar appreciating against the euro with respect to 2021.

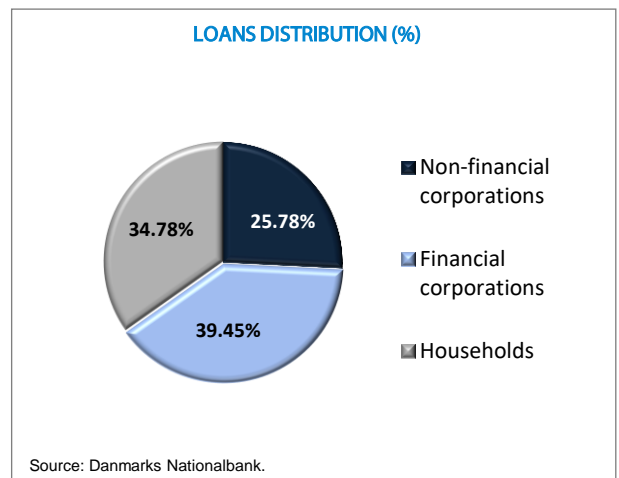


4. Banking sector: general overview

Denmark - Loans

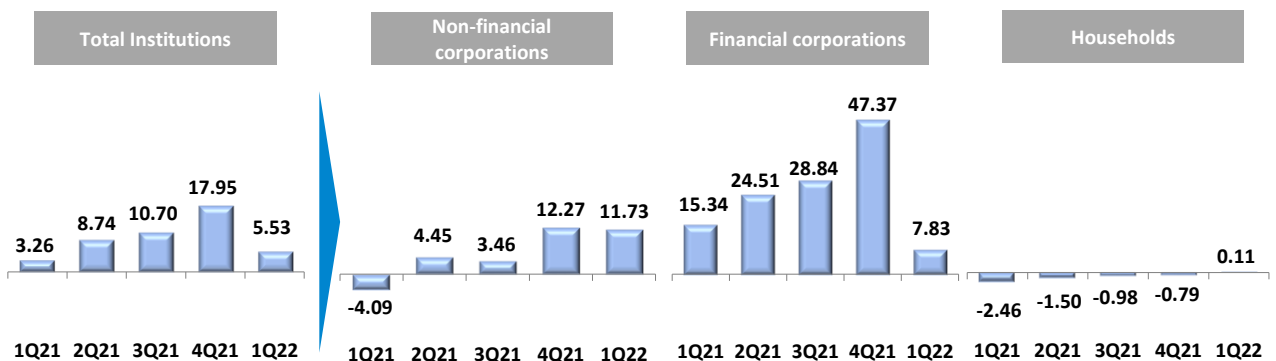
During the first quarter of the year, the y/y growth rate of Denmark's total loans decelerated by 12.42 p.p. when compared to 4Q21, standing at 5.53%. This was explained by the deceleration registered in loans to financial and non-financial corporations.

- ▶ During the first quarter of 2022, total loans registered a decrease of 12.42 p.p. in their y/y growth rate, down to a rate of 5.53%, discontinuing the previous quarter growth trend.
- ▶ The growth rate of loans to financial corporations fell by 39.54 p.p., standing at 7.83%.
- ▶ Additionally, non-financial loans recorded a decrease of 0.54 p.p., remaining at positive levels of growth for the fourth consecutive quarter, with a rate of 11.73%.



- ▶ Moreover, loans to households recorded a rate of 0.11%, which meant an increase of 0.90 p.p. compared to the previous quarter, standing at positive levels for the first time in seven years .
- ▶ Regarding the distribution of loans during the first quarter of the year, loans to financial corporations accounted for the largest share of total loans, with 39.45%, after a decrease of 1.41 p.p. with respect to the previous quarter. Loans to households increased their share by 0.89 p.p. being 34.78% of total loans. Finally, non-financial corporations accounted for 25.78% of total loans, increasing 0.53 p.p. from the previous quarter.

LOANS AND LEASES (% Year-over-year)

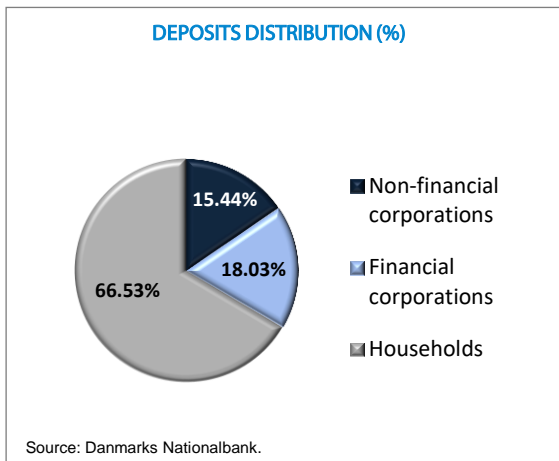


Source: Danmarks Nationalbank.

Note: total institutions include all domestic sectors.

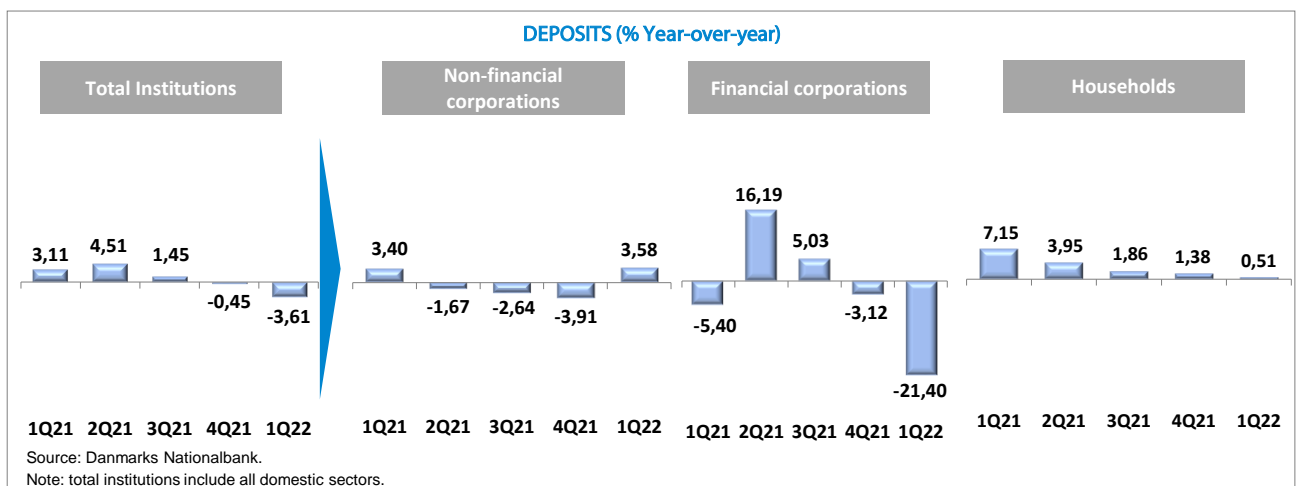
Denmark - Deposits

During the first quarter of 2022, total deposits in Denmark decreased their y/y growth rate by 3.16 p.p. down to -3.61% at the end of the quarter. This behaviour was largely driven by the performance of financial corporations' deposits, whose y/y growth rate decreased by 18.28 p.p. compared to the previous quarter.



- ▶ In 1Q22, the total deposits y/y growth rate was -3.61%, which represented a decrease of 3.16 p.p. compared to the previous quarter.
- ▶ This quarterly decrease in total deposits growth was mainly driven by financial corporations' deposits, as they registered a decrease of 18.28 p.p. to a y/y growth rate of -21.40% in 1Q22.
- ▶ On the other hand, non-financial corporations' deposits increased by 7.49 p.p., registering a positive growth rate (3.58%), for the first time since 2Q21.

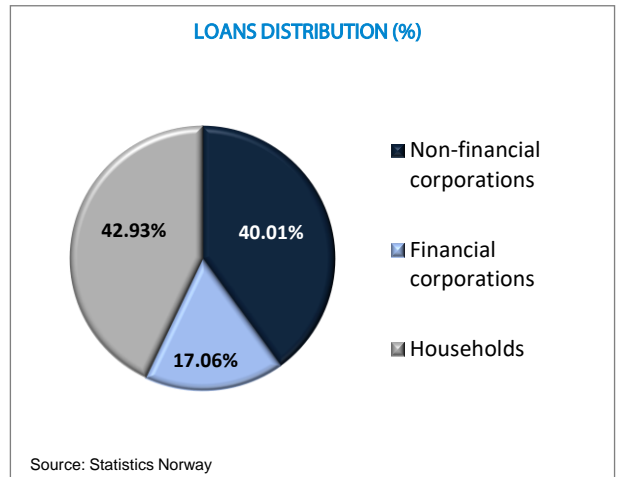
- ▶ Household deposits decreased their y/y growth rate by 0.87 p.p., down to 0.51% in 1Q22.
- ▶ Regarding the distribution of deposits, during this period, household deposits accounted for 66.53% of total deposits, which was the largest share, followed by financial corporations and non-financial corporations, which registered 18.03% and 15.44%, respectively, in the first quarter of 2022.
- ▶ Compared to the previous quarter, financial corporations increased their share by 0.27 p.p. and non-financial corporations fell by 0.76 p.p. Moreover, households registered an increase in their share of 0.49 p.p. with respect to 4Q21.



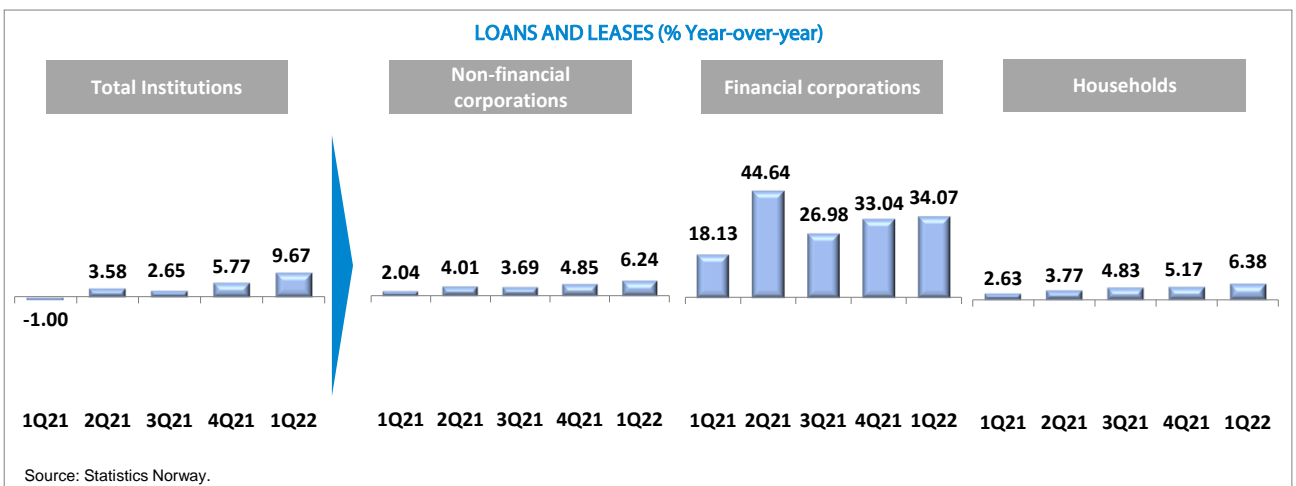
Norway - Loans

During the first quarter of the year, the y/y growth rate of total loans in Norway increased by 3.90 p.p. when compared to the previous quarter, registering a y/y growth rate of 9.67%. This result was mainly due to the accelerations in all types of loans. Loans granted to households accounted for a share of 42.93% of total loans, the largest share of Norwegian total loans.

- ▶ During the first quarter of the year, total Norwegian loans increased their y/y growth rate by 3.90 p.p. with respect to 4Q21, up to a 9.67% rate.
- ▶ This performance was largely driven by the increment in the growth rate of loans to non-financial corporations, which rose by 1.39 p.p. up to 6.24% in 1Q22.
- ▶ Loans granted to households accelerated by 1.21 p.p. up to a growth rate of 6.38%.

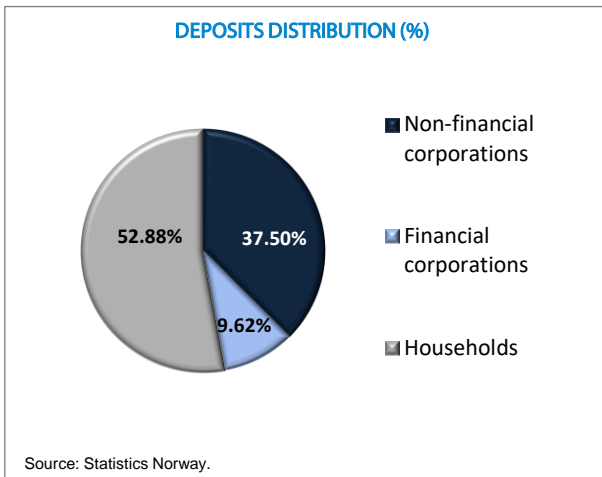


- ▶ Moreover, in the first quarter of 2022, loans granted to financial corporations increased their y/y growth rate by 1.03 p.p. compared to the previous quarter. They stood at a 34.07% rate in 1Q22.
- ▶ Regarding the distribution of loans, those granted to non-financial corporations experienced an increase in their share of 0.33 p.p. compared to 4Q21, concentrating 40.01% of total loans during this period. Loans granted to households diminished their share by 0.87 p.p. down to 42.93%. Finally, financial corporations experienced an increase of 0.54 p.p. up to a 17.06% share.



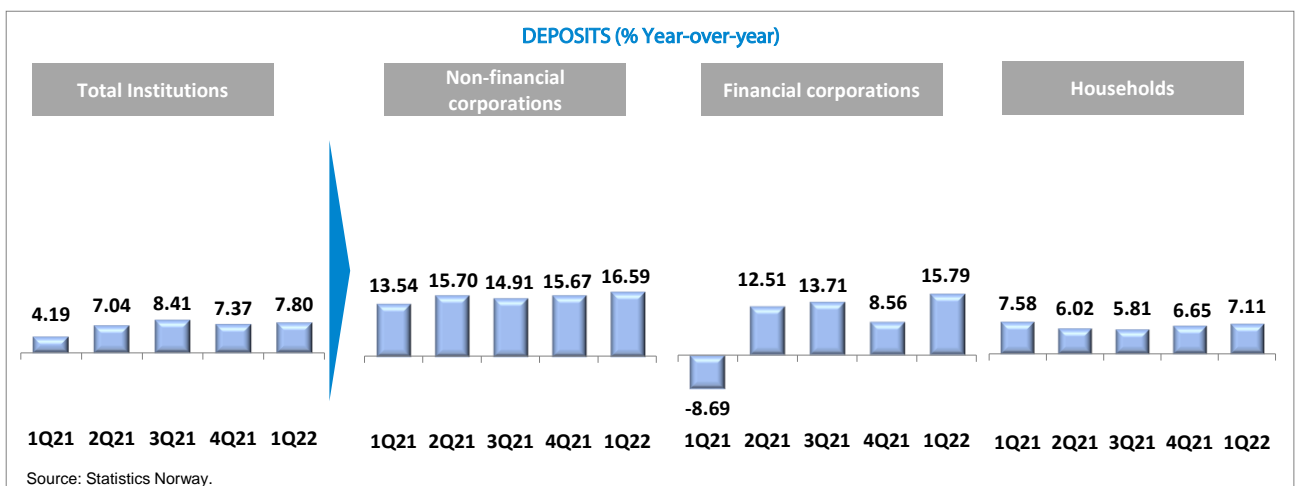
Norway - Deposits

The y/y growth rate of Norwegian deposits stood at 7.80% in the first quarter of 2022, which meant an increase of 0.43 p.p. compared to the previous quarter. As for the distribution of deposits, those of non-financial corporations and households concentrated 37.50% and 52.88% of total deposits in 1Q22, respectively, while financial corporations' shares stood at 9.62%.



- ▶ In the first quarter of 2022, total deposits in the Norwegian financial system experienced an acceleration of 0.43 p.p. up to a growth rate of 7.80%.
- ▶ Likewise, deposits granted to financial corporations increased their y/y growth rate by 7.23 p.p. up to a y/y growth rate of 15.79%. Moreover, non-financial corporations accelerated by 0.92 p.p., recording a 16.59% growth rate in 1Q22, while households increased their y/y growth rate by 0.46 p.p., standing at 7.11%.

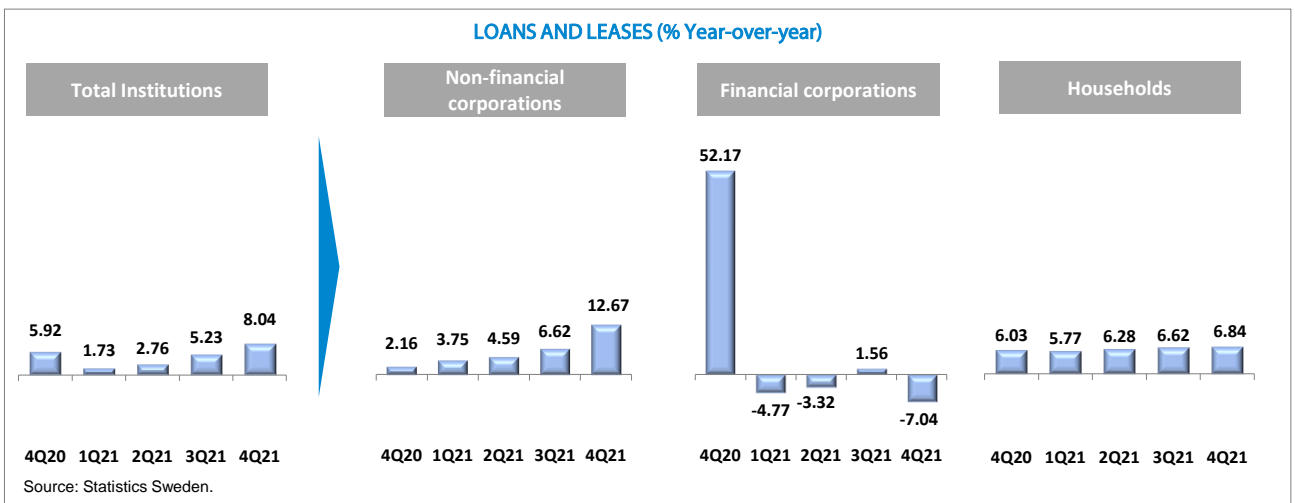
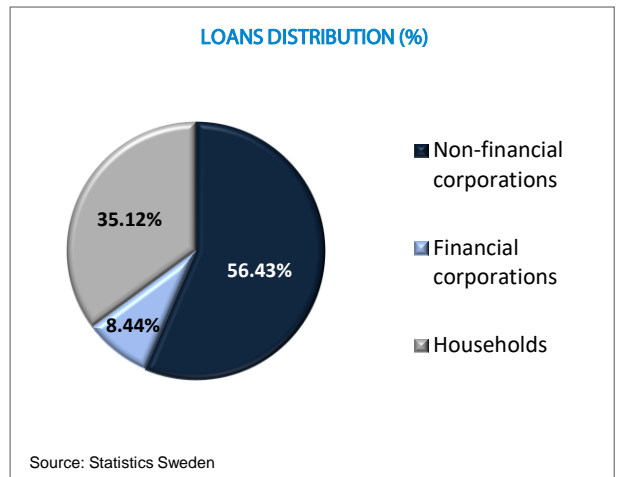
- ▶ During the first quarter of 2022, the distribution of deposits experienced some slight changes compared to the fourth quarter of 2021. Deposits granted to non-financial corporations decreased their share by 0.12 p.p. accounting for 37.50%, while financial corporations' deposits rose by 0.83 p.p. registering 9.62% of total deposits. Furthermore, deposits of households decreased their share by 0.71 p.p. down to 52.88% in 1Q22.



Sweden - Loans

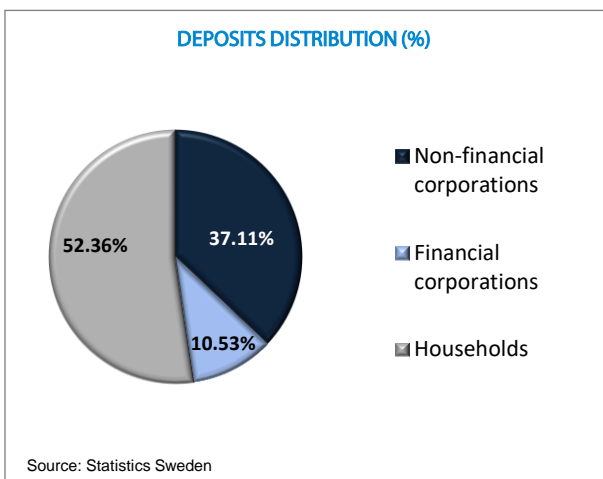
The Swedish financial system recorded an increase of 2.81 p.p. in its total loans y/y growth rate, up to 8.04% in the fourth quarter of 2021. This performance was mainly driven by the increment experienced in the growth rate of loans granted to non-financial corporations. During this period, non-financial corporations recorded once more the largest share of total loans, at 56.43%.

- ▶ During the fourth quarter of 2021, the y/y growth rate of total loans increased by 2.81 p.p. with respect to the previous quarter, up to 8.04%.
- ▶ However, loans granted to financial corporations registered a deceleration in their y/y growth rate of 8.59 p.p. compared to 3Q21, down to -7.04%.
- ▶ Loans to non-financial corporations registered an increase in their y/y growth rate, of 6.05 p.p., up to 12.67%.
- ▶ On the other hand, loans to households increased their y/y growth rate when compared to the previous quarter by 0.22 p.p. and stood at a rate of 6.84%.
- ▶ During 4Q21 and as in previous periods, non-financial corporations registered the largest share over total loans (56.43%), followed by households (35.12%) and financial corporations (8.44%).



Sweden - Deposits

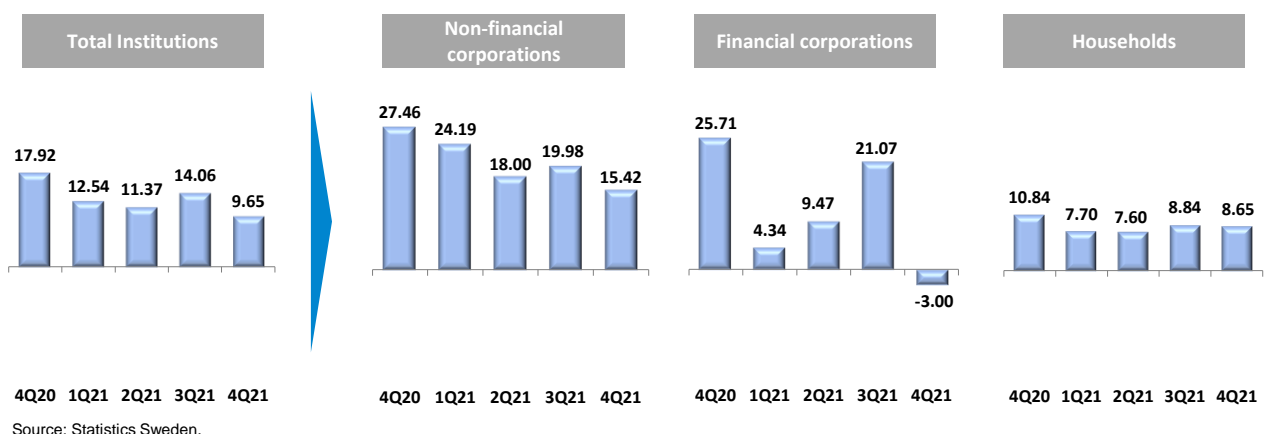
Swedish deposits recorded a deceleration of 4.41 p.p. from a rate of 14.06% in 3Q21 to 9.65% in the fourth quarter of 2021. This performance was driven by the decreases recorded in all kind of deposits. Deposits from Swedish households represented the largest share of total deposits during 4Q21, with 52.36%.



- ▶ Total deposits within the Swedish financial system experienced a decrease in their y/y growth rate of 4.41 p.p., standing at a rate of 9.65% in the fourth quarter of the year.
- ▶ Deposits from financial corporations decreased their growth by 24.07 p.p. down to -3.00% at the fourth quarter of the year.
- ▶ Besides, the y/y growth rate for deposits from non-financial corporations decreased by 4.56 p.p. and stood at 15.42%.
- ▶ Households' deposits declined in 4Q21 their growth rate by 0.19 p.p. compared to the previous quarter, down to 8.65%.

- ▶ During the fourth quarter of the year, households remained as the segment with the largest share with 52.36% of total deposits, since they increased their share by 0.62 p.p. compared to 3Q21. Non-financial corporations saw their deposits share increase as well by 0.80 p.p., thus standing at 37.11%. Finally, financial corporations recorded a deposits share of 10.53%, decreasing by 1.42 p.p. from 3Q21.

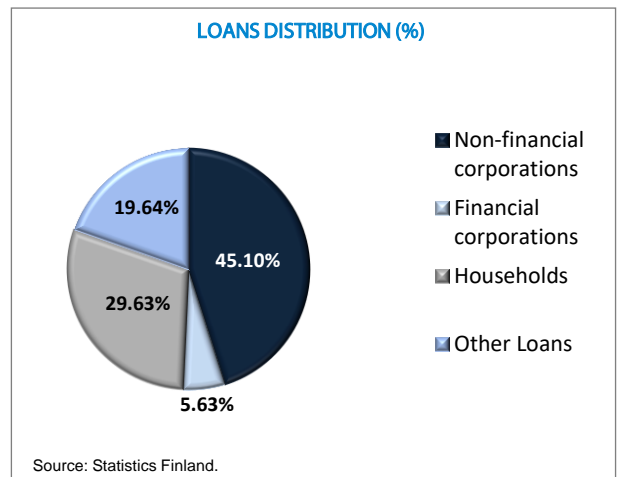
DEPOSITS (% Year-over-year)



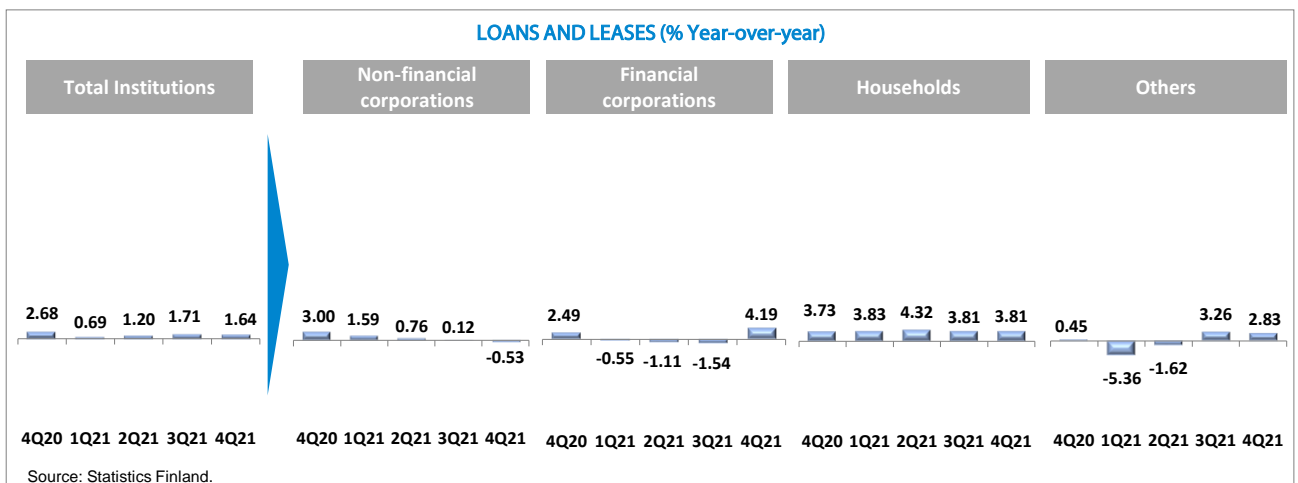
Finland – Loans*

During the fourth quarter of 2021, the y/y growth rate for the Finnish total loans shrank by 0.07 p.p. compared to the previous quarter, resulting in a y/y growth rate of 1.64% in 4Q21. The performance was essentially driven by the acceleration in the growth rates of the non-financial corporations and other loans.

- ▶ During the fourth quarter of the year, the loans growth rate decreased by 0.07 p.p., compared to the previous quarter, registering a growth rate of 1.64% in 4Q21.
- ▶ On the other hand, in 4Q21, loans to financial corporations increased by 5.73 p.p. with respect to the previous quarter, reaching a growth rate of 4.19%.
- ▶ The household loan growth declined by 0.01 p.p., reaching and standing at a growth rate of 3.81%. Additionally, other loans registered a decline of 0.43 p.p. compared to 3Q21, reaching a growth rate of 2.83%.

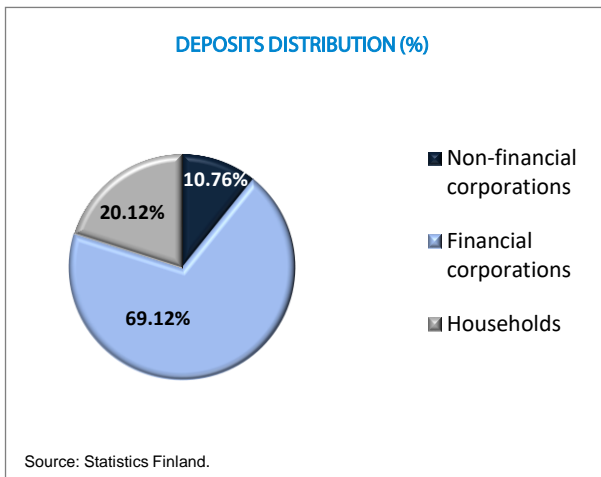


- ▶ Non-financial corporations' loans fell by 0.65 p.p. down to a growth rate of -0.53%.
- ▶ In 4Q21, non-financial corporations' loans continued to register the largest share of total loans, standing at 45.10%. Financial corporations and households recorded shares of 5.63% and 29.63%, respectively. Finally, other loans registered a share of 19.64%.

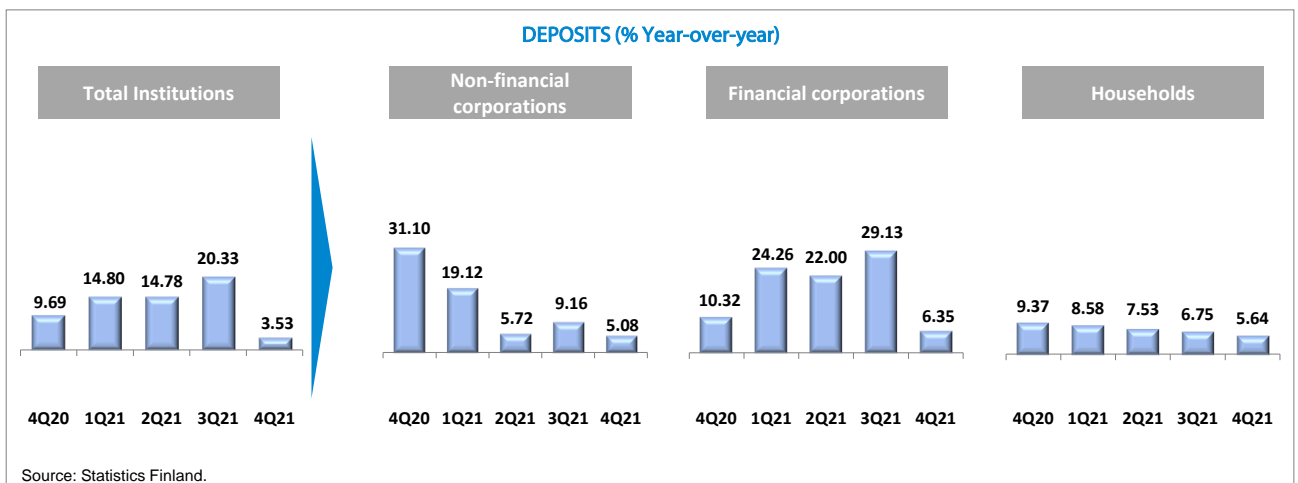


Finland – Deposits*

During 4Q21, the growth rate of total Finnish deposits substantially fell by 16.80 p.p. from 3Q21, down to a growth rate of 3.53%. Regarding the distribution of deposits, insurance and financial corporations were once again the ones to register the largest share (69.12%), followed by households (20.12%) and non-financial corporations (10.76%).



- ▶ In 4Q21, the total deposits y/y growth rate registered a significant decrease of 16.80 p.p. with respect to the previous quarter, down to a rate of 3.53%.
- ▶ The y/y growth rate of deposits for non-financial corporations decreased by 4.08 p.p. compared to the previous quarter. This resulted in a growth rate of 5.08%.
- ▶ Financial corporations' deposits y/y growth rate declined during this quarter, by 22.78 p.p. down to a rate of 6.35%.
- ▶ Besides, the growth rate for households' deposits decreased by 1.10 p.p., standing at 5.64%.
- ▶ Additionally, households' deposits also rose their share of total deposits from the previous quarter, up to 20.12%.
- ▶ Regarding the distribution of deposits in 4Q21, deposits from financial corporations decreased their share from the previous quarter, down to 69.12%. In contrast, non-financial corporations' deposits increased their share up to 10.76%.



5. Appendix

SOURCES

MACROECONOMIC OVERVIEW

- ▶ BBVA Research:
<http://www.bbva.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

- ▶ Aktia:
<http://www.Aktia.fi/>
- ▶ Danske Bank:
<http://www.danskebank.dk/>
- ▶ DNB:
www.dnb.no/
- ▶ Eika:
eika.no
- ▶ Handelsbanken:
www.handelsbanken.se/
- ▶ Jyske Bank:
<http://jyskebank.com/>
- ▶ Nordea:
<http://www.nordea.com/>
- ▶ Nykredit:
<http://www.nykredit.com/>
- ▶ OP Financial Group:
www.pohjola.fi/
- ▶ Riksbank:
<http://www.riksbank.se/>
- ▶ SEB:
<http://seb.se/>
- ▶ Sparebank:
www.sparebank1.no/
- ▶ Statistiska Centralbyrån:
<http://www.statistikdatabasen.scb.se/>
- ▶ Statistics Finland's PX-Web databases:
<http://pxnet2.stat.fi/>
- ▶ Storebrand:
www.storebrand.no
- ▶ Swedbank:
www.swedbank.se/
- ▶ Sydbank:
<http://www.sydbank.dk/>

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 annualized / equity.
- ▶ **Return On Assets (ROA):** Net income annualized / total assets.



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