

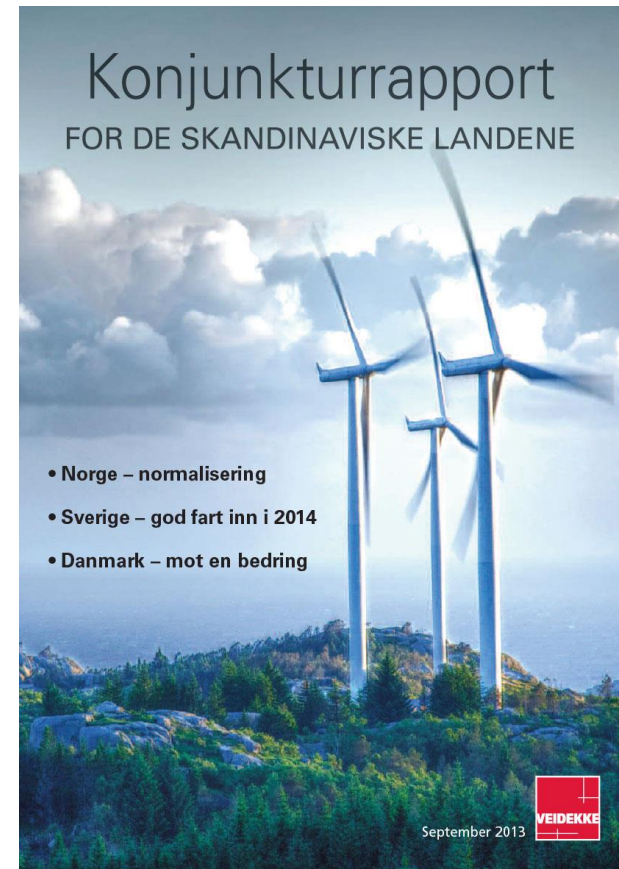


Economic Activity Report for the Scandinavian Countries

23 September 2013

Agenda

- Global economy
- Norway
- Sweden
- Denmark
- Summary



Highlights

- At the international level – improvement in the EU and the US
- Norway – normalisation of the market
- Sweden – picking up momentum into 2014
- Denmark – on the road to improvement

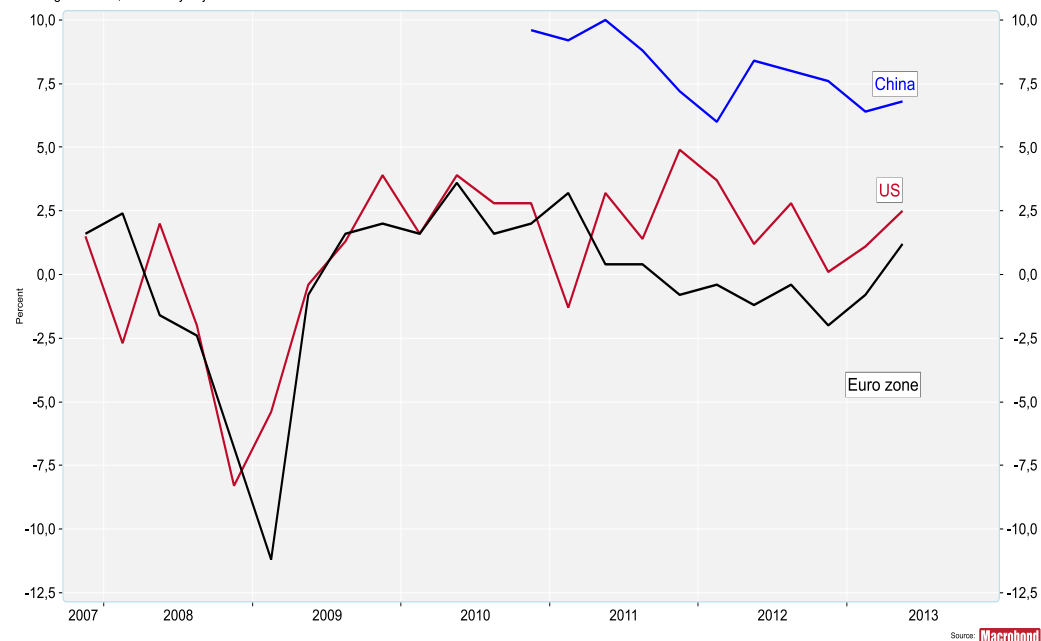


The global economy

Old economies rebounding?

GDP growth q/q

Annual growth rate, seasonally adjusted



■ Q2: better figures from the US, growth rebounding in the Eurozone

■ Weaker GDP growth in emerging economies

- More uncertainty in respect of China

■ For Scandinavia:

- Help from the export sector
- More optimistic households and investors
- Somewhat higher risk associated with the Norwegian oil sector

Old economies rebounding?

GDP growth in %	2012	2013	2014
Eurozone	-0.6	-0.4	0.9
Germany	0.7	0.5	1.7
Great Britain	0.2	1.3	2.1
USA	2.8	1.6	2.7
Asia Pacific	4.8	4.6	4.7
World	2.7	2.4	3.1

Source: Consensus Forecasts, September:

- Q2: better figures from the US, growth rebounding in the Eurozone
- Weaker GDP growth in emerging economies
 - More uncertainty in respect of China
- For Scandinavia:
 - Help from the export sector
 - More optimistic households and investors
 - Somewhat higher risk associated with the Norwegian oil sector

Nearby building and construction markets

Production volume in building and construction at Q2 2013

		Nivå i % av 2007/2008	Trend siste 4 kv. i %	Fra 1. til 2. kv. i % s.j.
Eurosonen	●	78	↓ -4	→ 0
Tyskland	●	105	→ -1	↑ 4
Polen	●	103	↓ -22	↓ -9
Litauen	●	58	↑ 3	↑ 10
Lativa	●	63	↑ 5	→ 2
Estland	●	89	→ 0	→ 2
Finland*	●	98	↓ -4	→ -1

Source: Eurostat

* Figures up to and including Q1

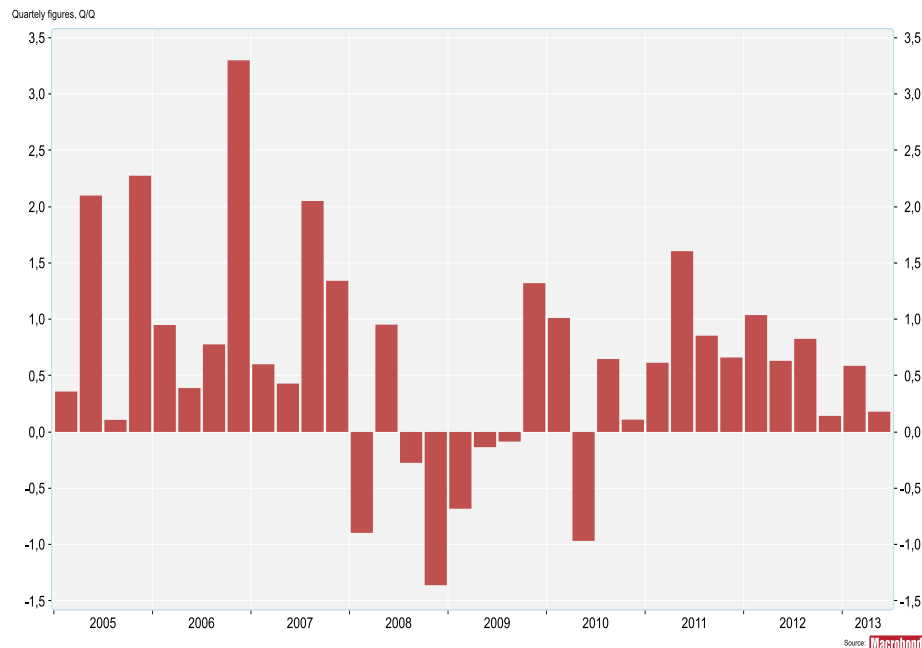
- Positive signals in Q2 after long-term negative trend
 - Decline stopped in the Eurozone
- Germany maintaining momentum
 - 2013 a "gap year"
- Mixed along the Baltic
 - Polish Building and Construction recovering quickly
 - The Baltics – right direction but from a low level
 - Difficult in Finland



The situation in Norway

Norway – normalisation of the market

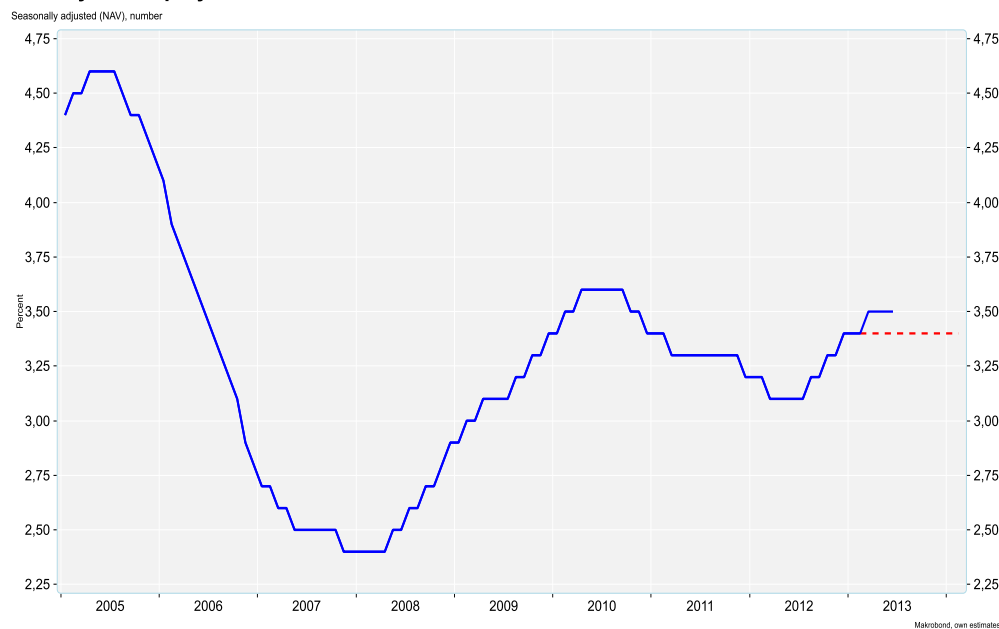
Norway: GDP growth in Mainland Norway



- GDP growth slowing down
 - Continued high capacity utilisation
- Households stand strong
 - Somewhat slower growth in household demand
- New impetus
 - Growth among trading partners
 - Weaker currency strengthens competitiveness

Norway – normalisation of the market

Norway: Unemployment



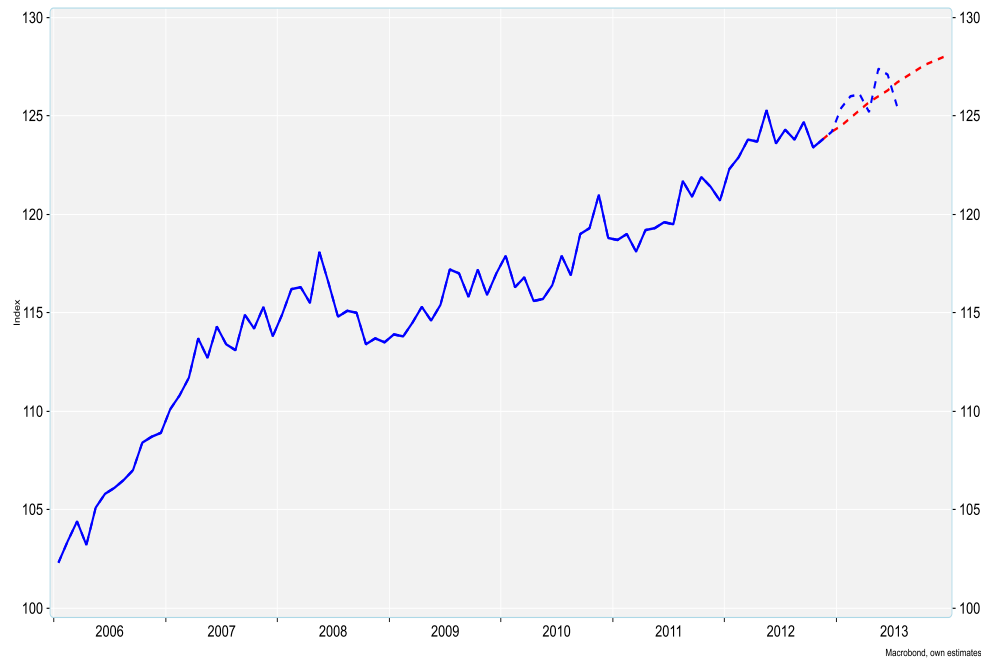
(Red line shows our prognoses)

- GDP growth slowing down
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Norway – normalisation of the market

Norway: Retail Trade

Index, 2005=100, Seasonally adjusted

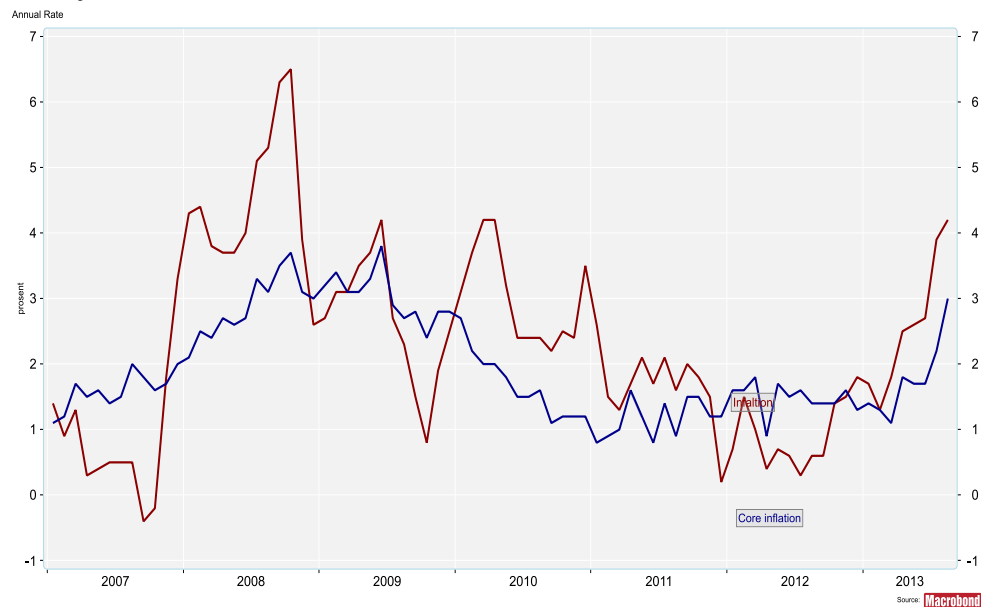


(Red line shows our prognoses)

- GDP growth slowing down
 - Continued high capacity utilisation
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Norway – normalisation of the market

Norway: Consumer Prices

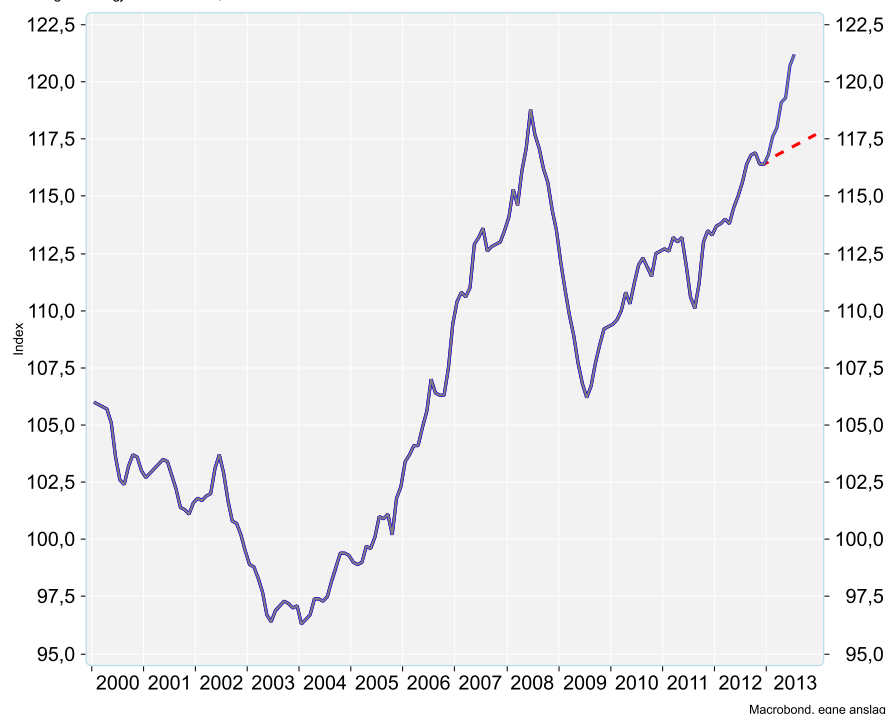


- GDP growth diminishing
 - Continued high capacity utilisation
- Households stand strong
 - Somewhat slower growth in households' demand
- New impetus
 - Growth among trading partners
 - Weaker currency strengthens competitiveness

Norway – normalisation of the market

Norge: Produksjonsindeks for industrien

3 mnd. glidende gjennomsnitt SA, volum



(Red line shows our prognoses)

- GDP growth slowing down
 - Continued high capacity utilisation
- Households stand strong
 - Somewhat slower growth in household demand
- New impetus
 - Growth among trading partners
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Norway – normalisation of the market

Some prognoses from August/September:

GDP Mainland in %	2012	2013	2014
Nordea	3.4	2.0	2.3
Swedbank		1.8	2.0
DNB		2.0	2.0
Veidekke		2.0	2 – 2.5

- GDP growth slowing down
 - Continued high capacity utilisation
- Households stand strong
 - Somewhat slower growth in household demand
- New impetus
 - Growth among trading partners
 - Weaker currency strengthens competitiveness



E18 Sky-Langangen

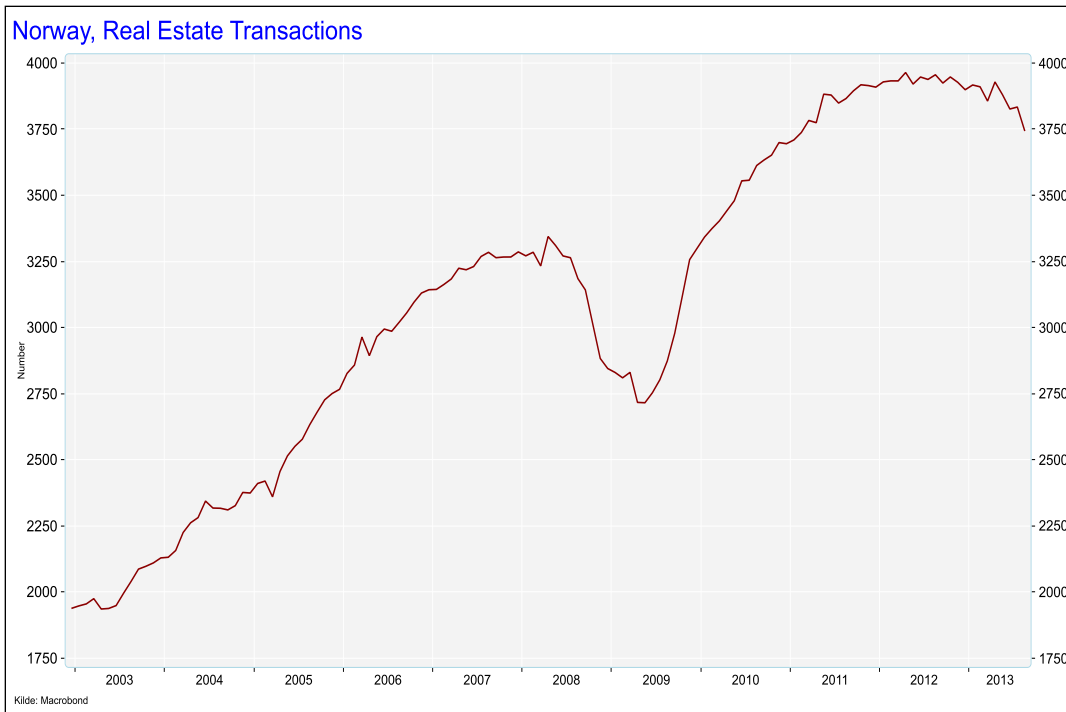
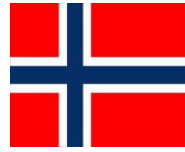
Building and construction market in Norway

Expectations of the building and construction market 2014



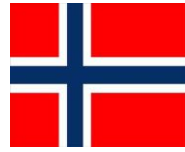
- More normal economic growth
- Roughly 2% GDP growth in 2013 and 2014
- Continued high level of activity in the oil sector, but growth slowing down
- Slight rise in unemployment
- Households still optimistic

Housing market: Number of units sold

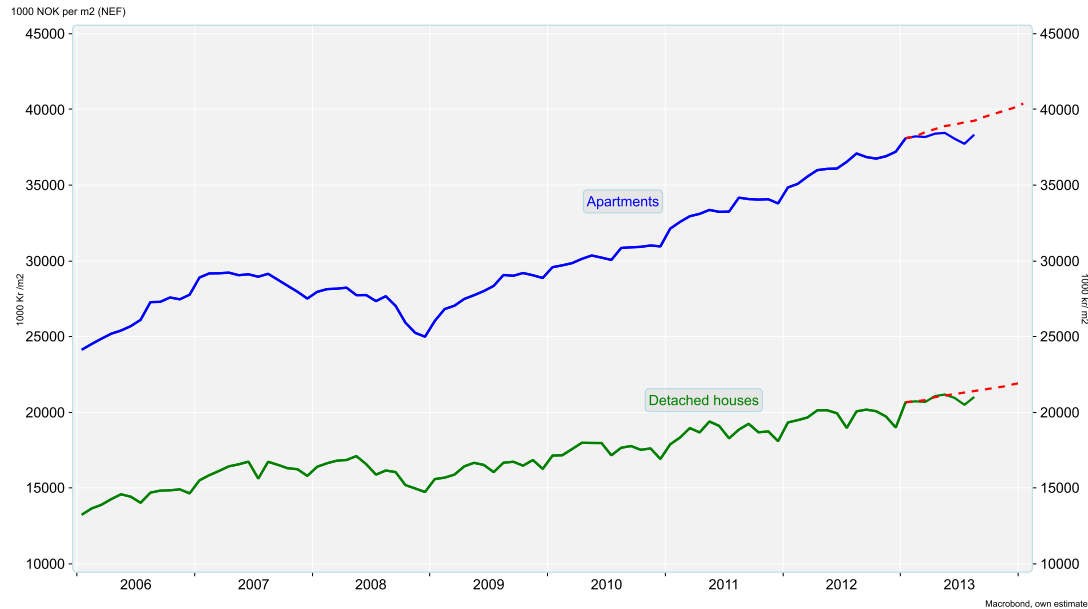


- Three years of high housing sales
- Trend pointing downwards thus far in 2013
- However, levels remain high

Housing market: Selling prices of housing units



Norway: Housing Prices



(Red line shows our prognoses)

- Flatter trends in housing prices thus far this year
 - About 1% for flats
 - 3.6% Aug./Aug.
- 2014: More normal growth rate:
 - Slower economic growth, continued low unemployment rate
 - Somewhat less immigration
 - Price growth of 4% in 2014 for high-rise housing units

Housing market: Regional differences



Table: Housing price trend for flats in certain selected cities (source: NEF)

	August/August	January/ August
Oslo	3.9	0.7
Bergen	4.2	1.8
Trondheim	5.7	2.1
Stavanger	2.7	1.5
Kristiansand	-2.5	-2.2

- Regional differences more distinct than before
- Slower price growth in Stavanger and Kristiansand
 - Rapid residential construction earlier
 - Growth in oil-related industry slower with weaker prospects
- Growth in Oslo approaching normal

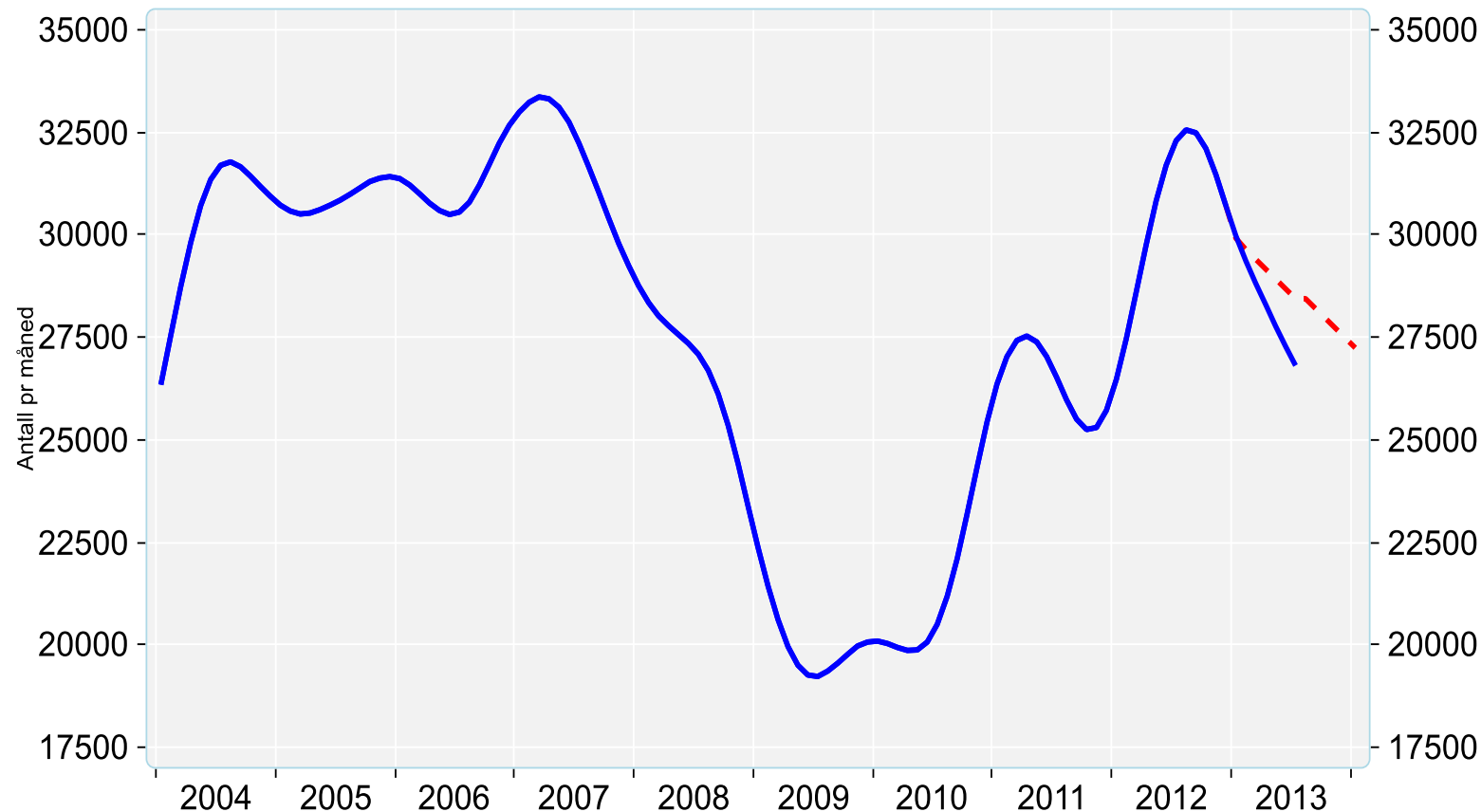


Housing market:

Housing starts down so far this year

Norge: Igangsatte boliger

årlig



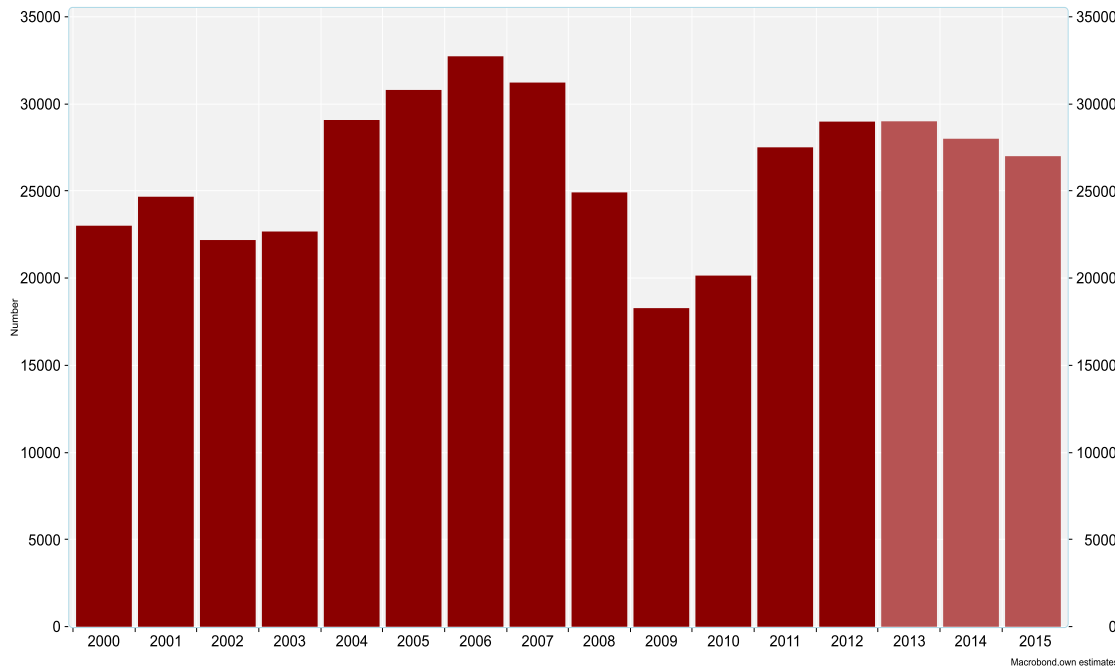
(Red line shows our prognoses)

Macrobond, egne anslag



Housing starts down from a high level

Norway: Dwellings Started

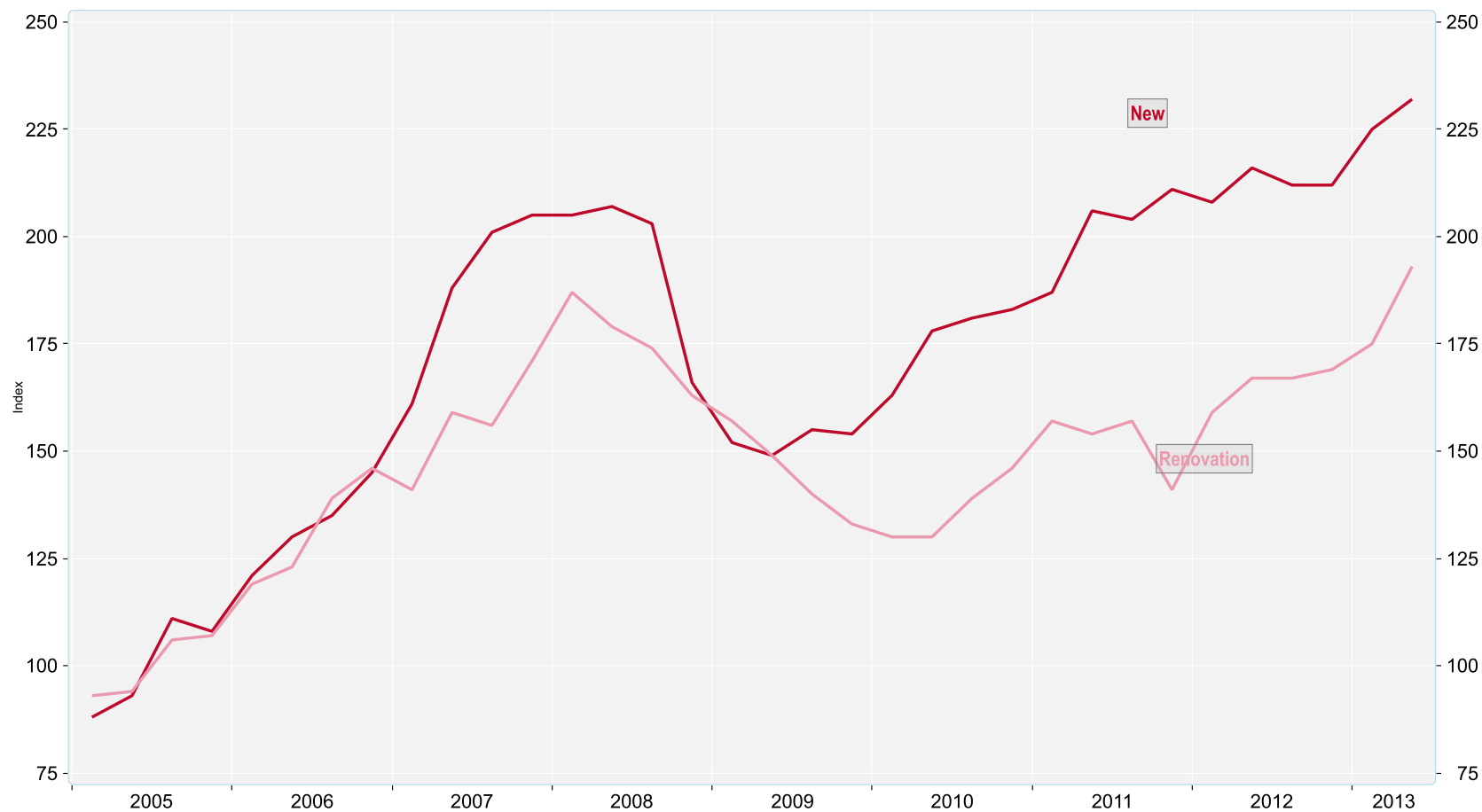


- Capacity/access to land and projects
- The "catch-up effect" is over
 - Not as many projects ready for start-up
- High building costs result in lower profitability in the projects
- The prognosis for 28 000 housing starts in 2013 stands firm
- Fewer starts, nearly 25 000 housing units in 2015

New growth in commercial buildings



Norway, Stock of Orders, Non-Residential, Index



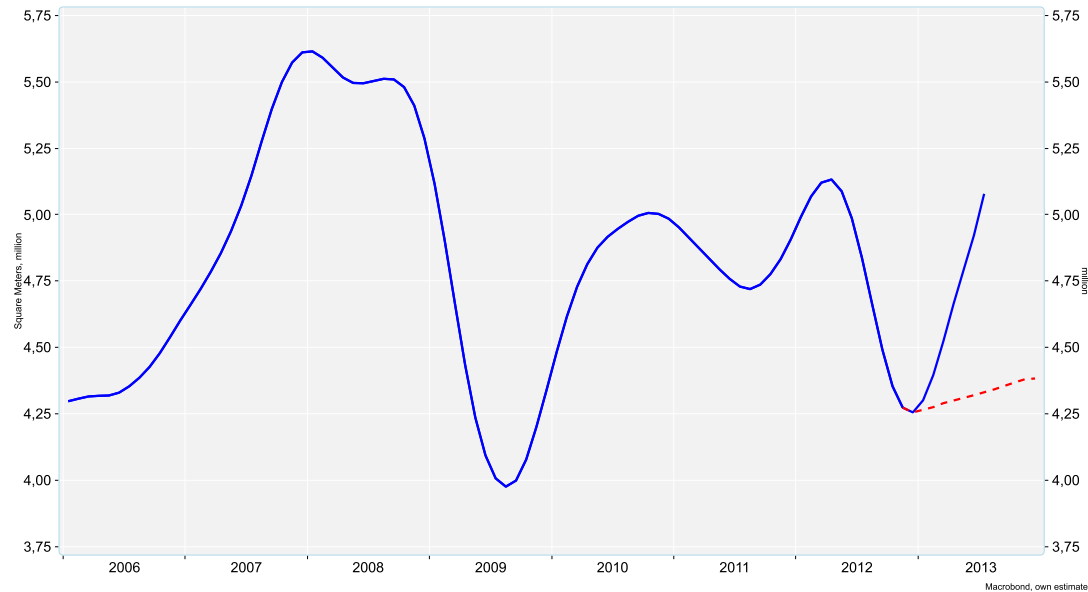
Source: **Macrobond**

Commercial buildings, vigorous growth in H1?



Norway: Non- Residential Buildings Started

Seasonally adjusted, annual rate



(Red line shows our prognoses)

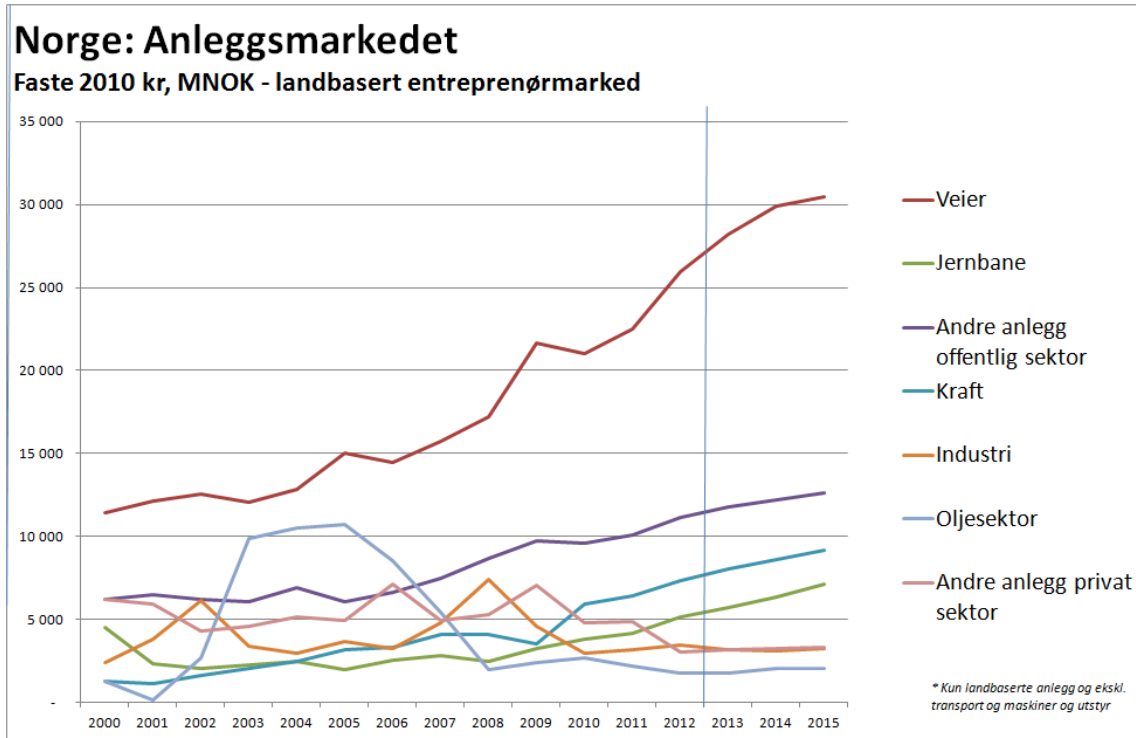
■ 20% growth in starts thus far this year

- All sectors are contributing to the growth, but...
- Garages and holiday homes are lagging behind

■ Projected lower no. of starts in H2

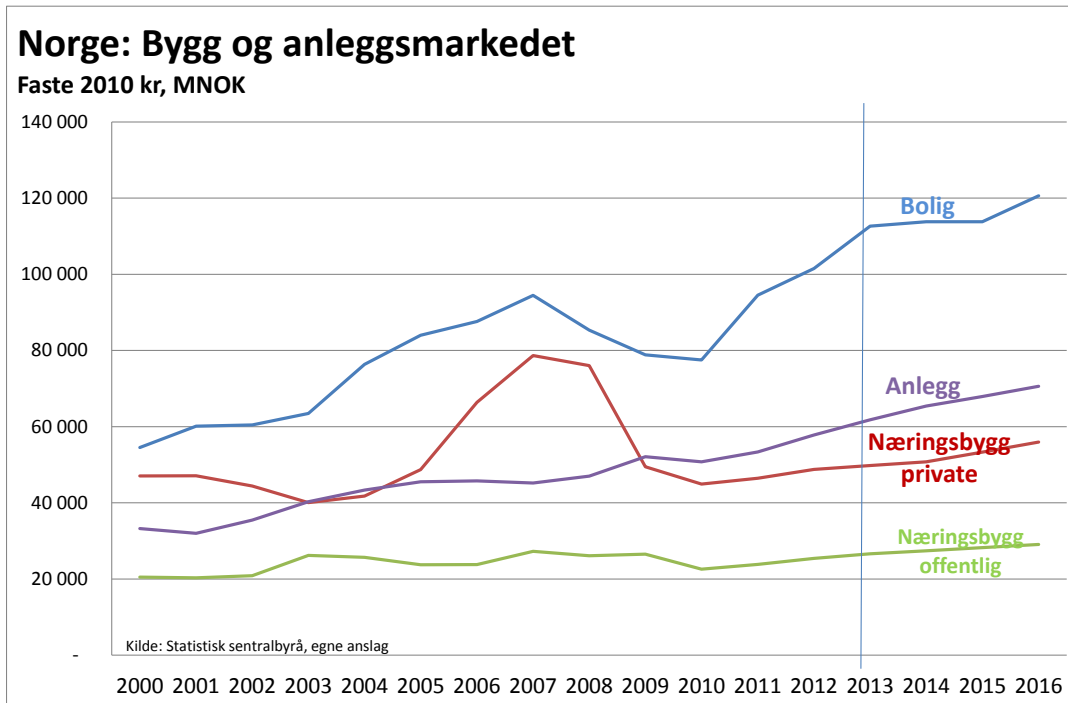
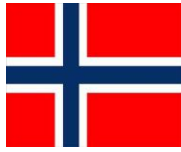


High level of activity for Construction



- Overall growth of 7% in 2013, 6% in 2014
 - Good growth in all segments
- Major projects dominate the market
- Also large local markets in eastern and western Norway
- Railway facilities on the rise
- Energy investments up
 - Green certificates contribute
- Element of foreign players stable

The aggregate building and construction market



- Normalisation of the economy of Norway over the next two years
- 7% growth in building and construction investments this year
 - Some 2% in 2014
- Slower domestic demand brings figure down
- Stronger public focus on infrastructure

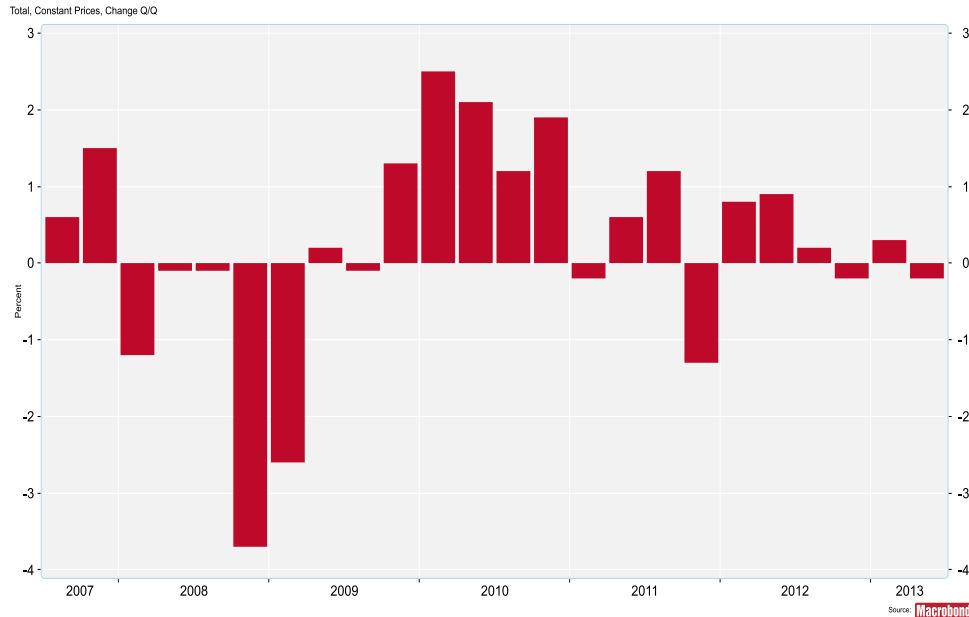


Skölderviken, Stockholm

The situation in Sweden

Sweden – will get worse before it gets better

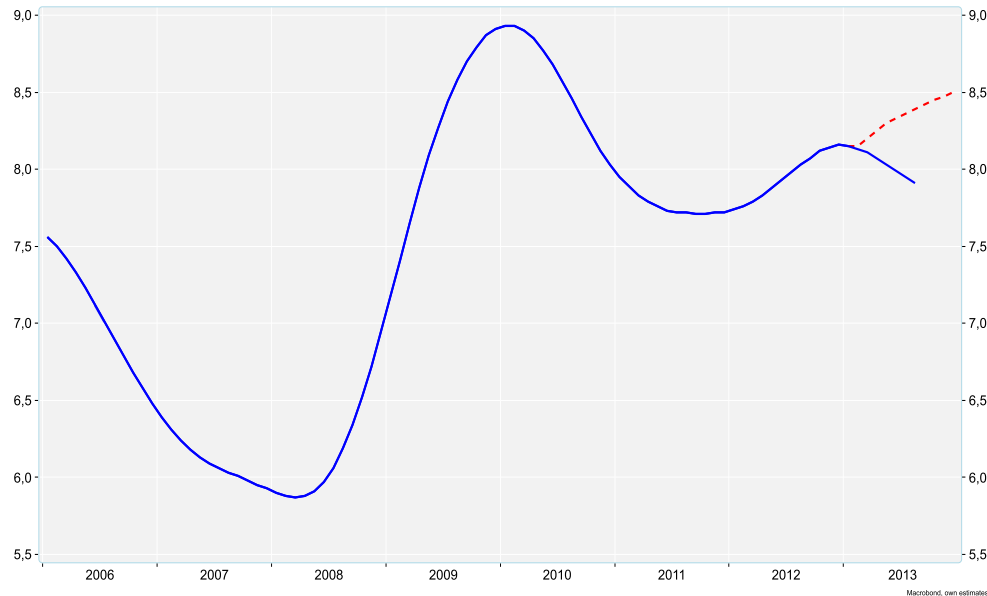
Sweden: Gross Domestic Product



- Weak growth figures in H1
 - But the worst is behind us
- More demand from trading partners
 - Germany +
 - Great Britain +
- Labour market surprisingly positive
 - Promising for the consumer and housing markets

Sweden – will get worse before it gets better

Sweden: Unemployment Rate



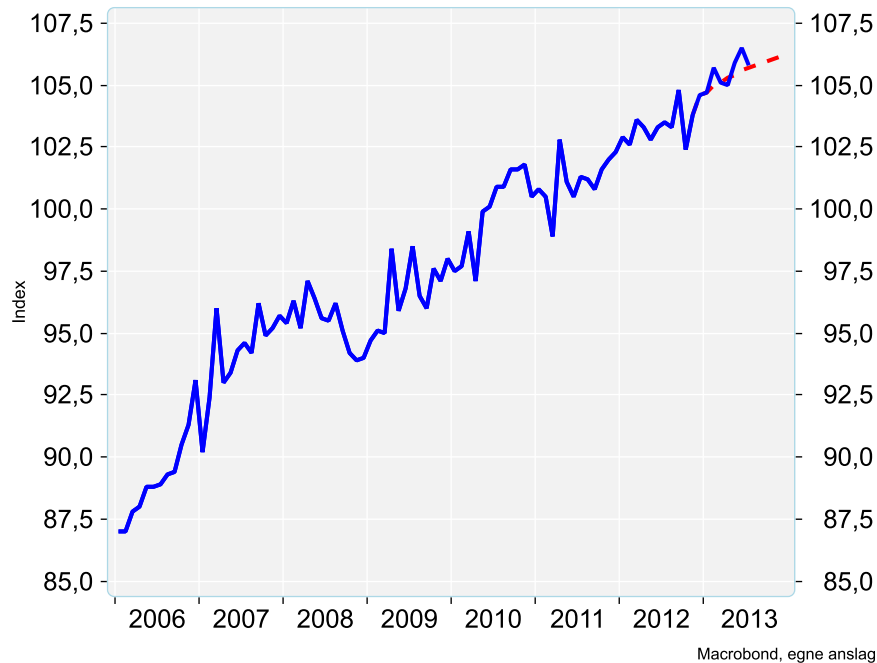
(Red line shows our prognoses)

- Weak growth figures in H1
 - But the worst is behind us
- Labour market surprisingly strong
 - Promising for the consumer and housing markets
- More demand from trading partners
 - Germany +
 - Great Britain +

Sweden – will get worse before it gets better

Sverige: Detaljomsetning

Indeks, 2005 = 100

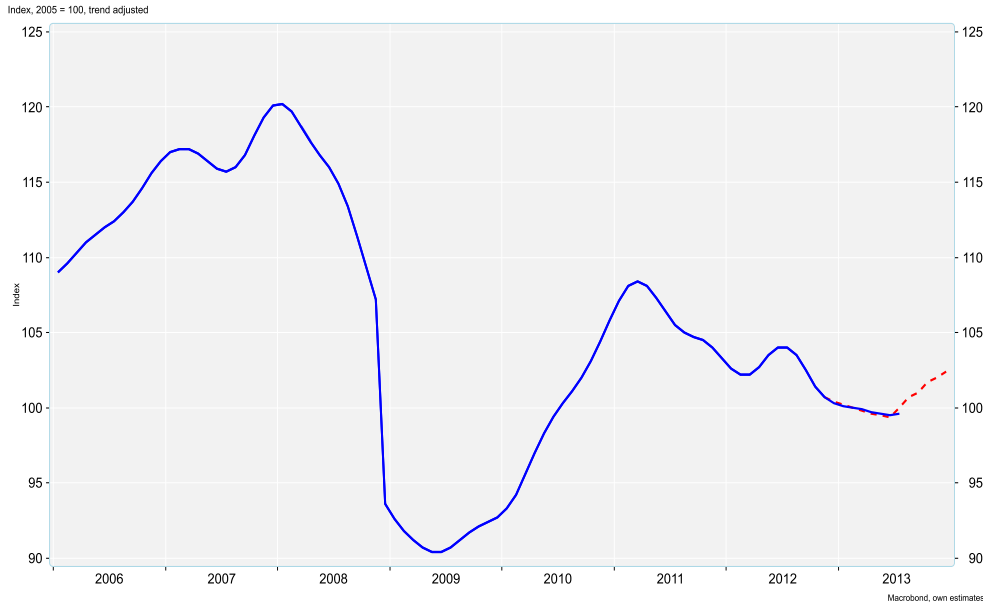


(Red line shows our prognoses)

- Weak growth figures in H1
 - But the worst is behind us
- Labour market surprisingly strong
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 - Great Britain +

Sweden – will get worse before it gets better

Sweden: Industrial Production



(Red line shows our prognoses)

- Weak growth figures in H1
 - But the worst is behind us
- Labour market surprisingly strong
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 - Germany +
 - Great Britain +

Sweden – will get worse before it gets better

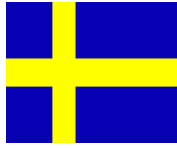
Some prognoses from August/September:

GDP growth in % calendar adjusted	2012	2013	2014
Nat. Inst. of Econ. Research	1.1	1.1	2.6
Swedbank		1.6	3.2
Nordea		1.3	2.6
Veidekke		1.5	2.5-3

- Weak growth figures in H1
 - But the worst is behind us
- Labour market surprisingly strong
 - Promising for the consumer and housing markets
- More demand from trading partners
 - Germany +
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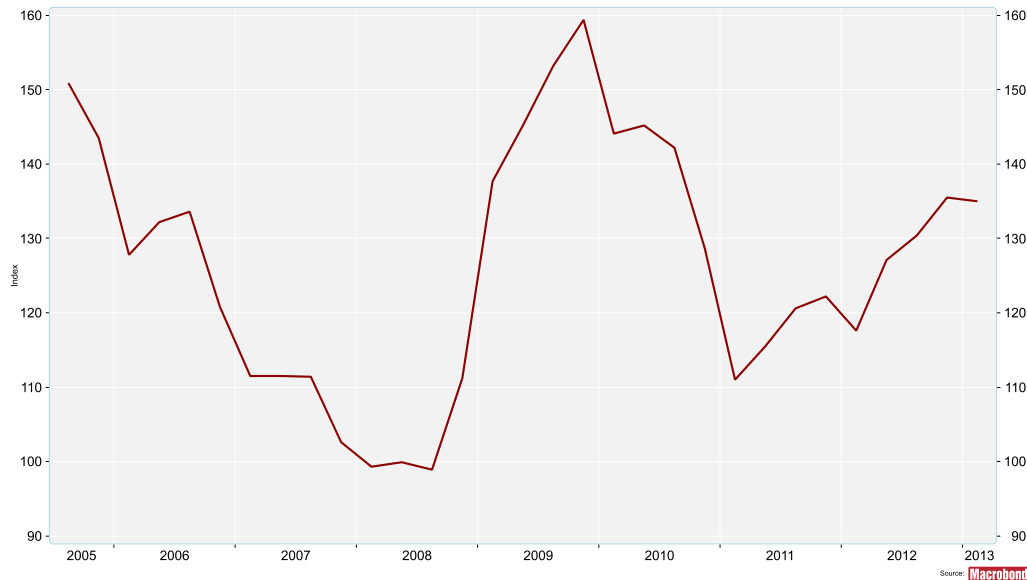


The building and construction market in Sweden



Prerequisites for housing market

Sweden: Boindex



Housing Index = 100, households have 15% before tax to service mortgages (standard)

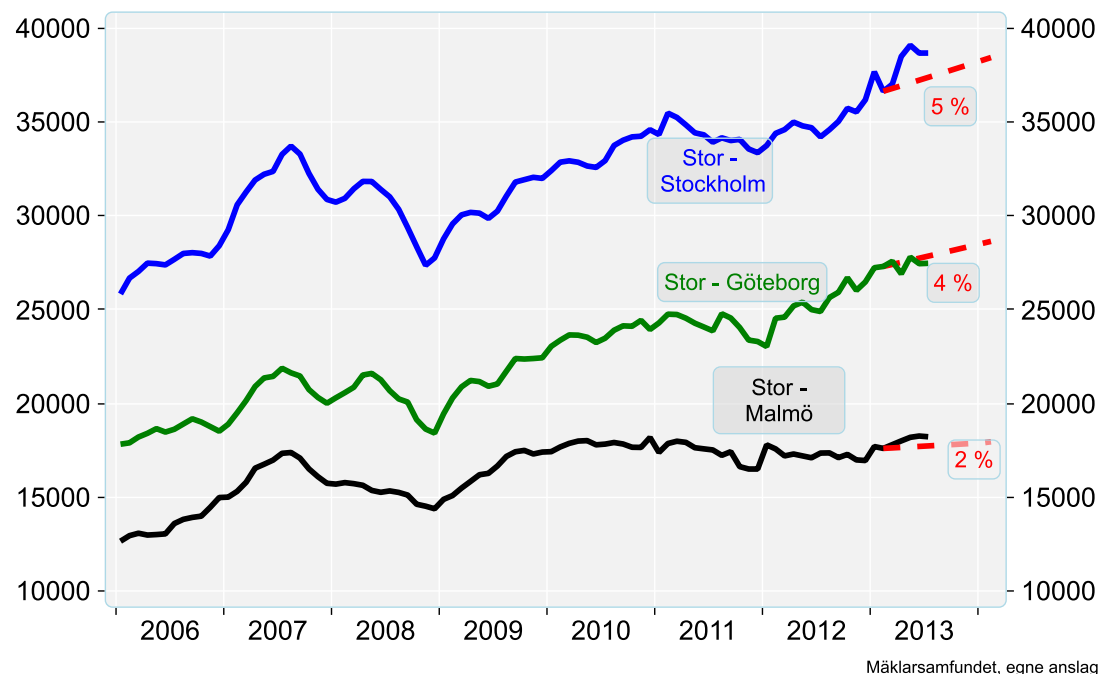
- Swedish economy recovering
 - GDP growth of 2.5 – 3% in 2014
- Labour market recovering slowly
- Real disposable income of 2.7% in 2014
- Continued low interest level in 2014
- Households' economic situation stable and good

Housing market



Sverige: Omsetningspriser boliger

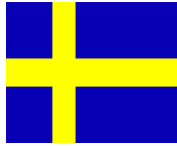
Bostadsrätter (1000 SEK/kvm)



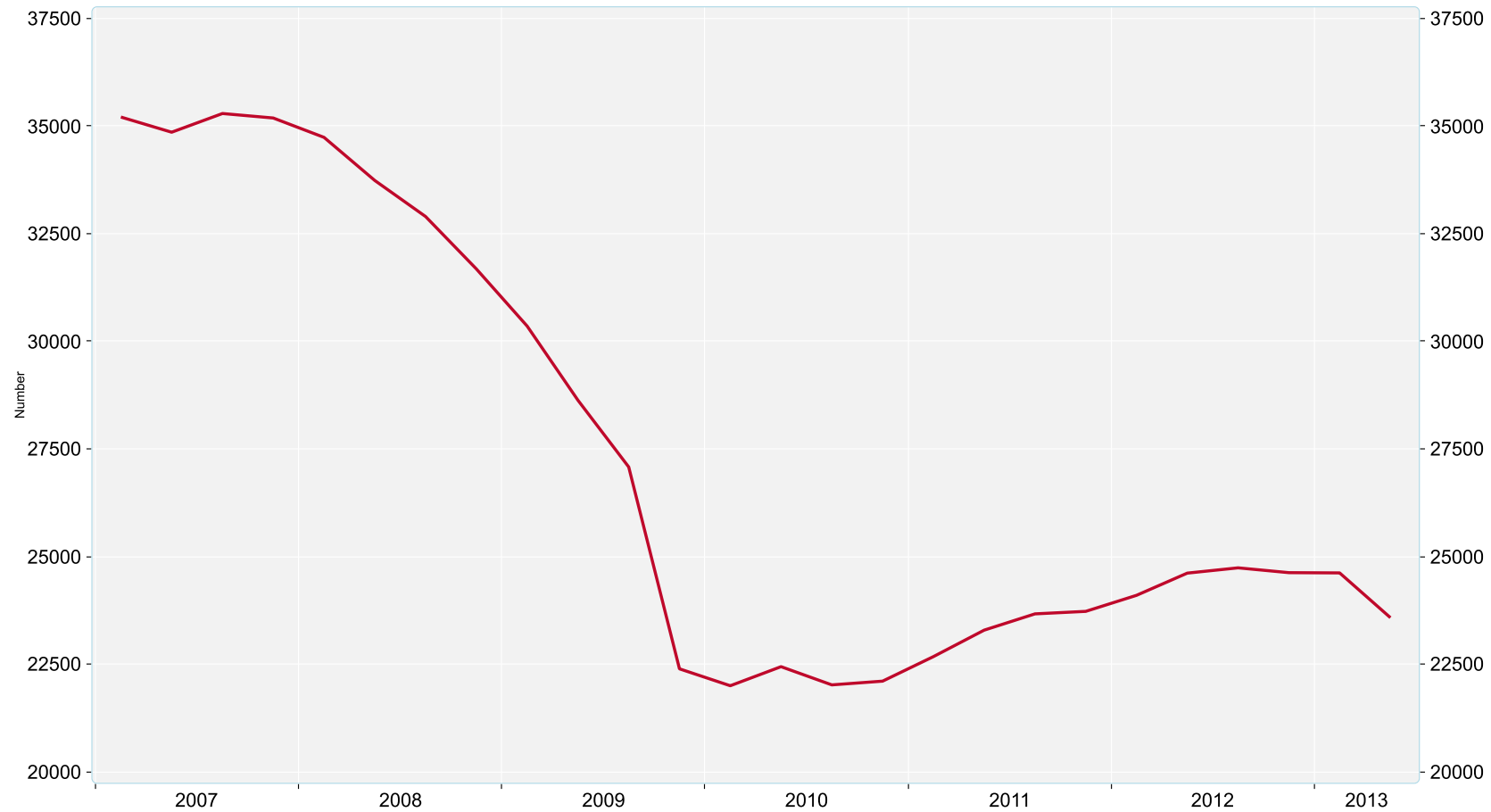
(Red line shows our prognoses)

- 2013: Strong growth in housing prices in Stockholm
 - 13% July/July and 2.6% thus far this year
 - In Gothenburg and Malmö, prices have developed in line with our prognoses
- 2014: Continued good growth in housing prices in Stockholm

Housing market

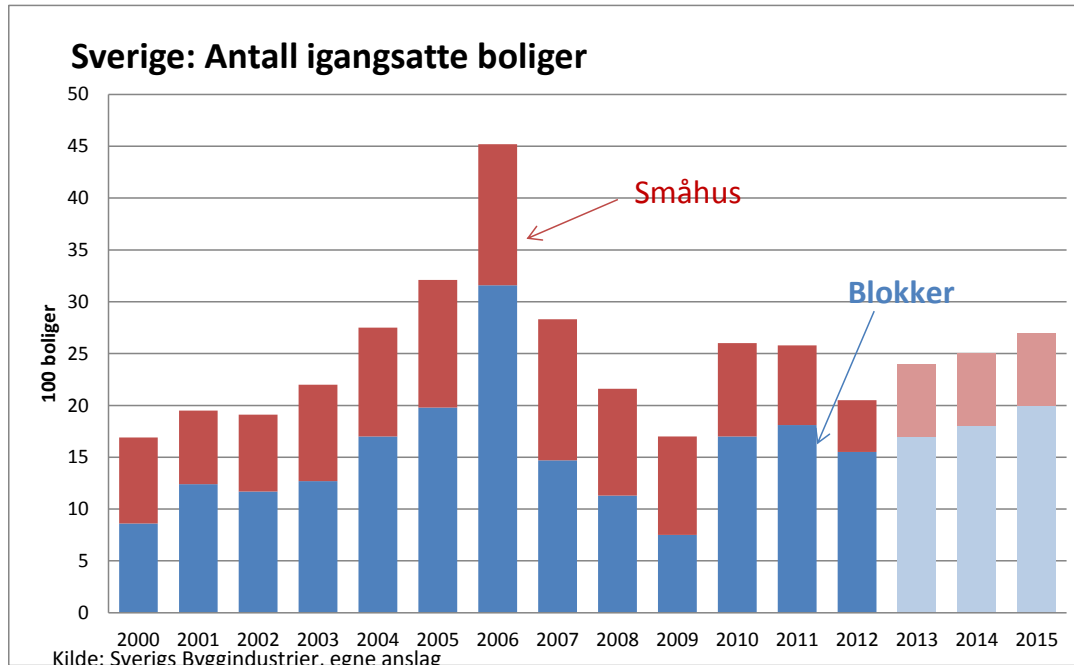
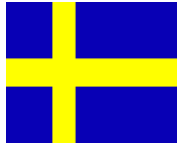


Sweden: Construction Started, Residential Buildings



Source: **Macrobond**

Housing construction picking up again gradually

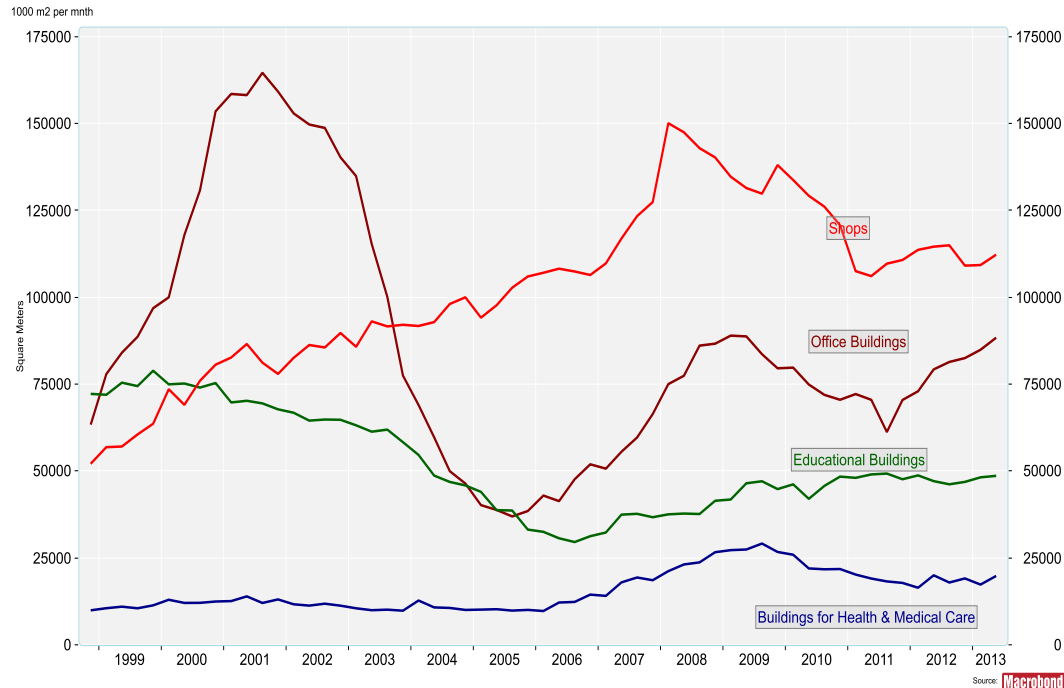


- Better economic prospects will contribute to new growth in autumn 2013
 - 22 000 housing starts
 - Climbing to 27 000 in 2015
- Strongest growth in Stockholm and Gothenburg

Commercial buildings

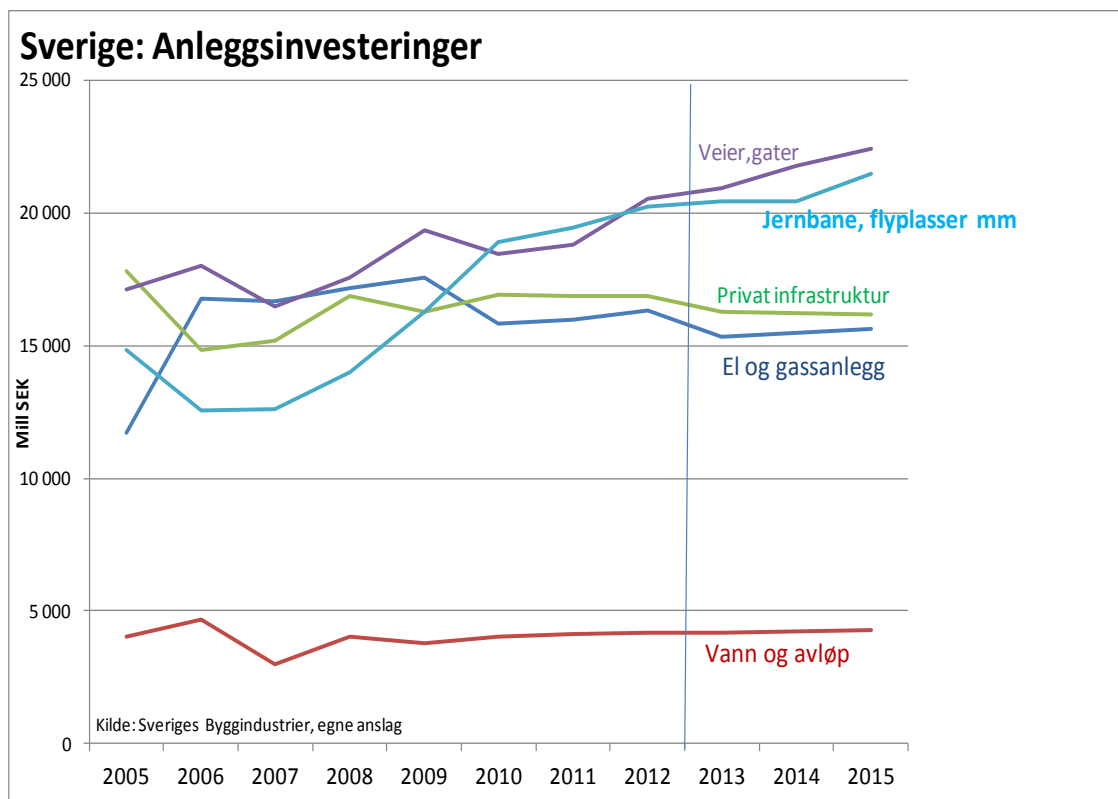


Sweden: Buildings Permit, Non-Residential Buildings



- The weak cyclical development in 2013 impacts the private sector
- Lower investments in private-sector commercial buildings contributed to a 6% decline in overall investments in commercial buildings
 - Investments in the renovation of commercial buildings are down significantly
 - 3% growth in public-sector commercial buildings
- Better economic outlook through the autumn boosts optimism and the propensity to invest

Construction market – high level of activity



- Slight decline in the construction market: -1% in 2013
- 2014 growth of roughly 4%
 - Private construction investments in telecom and mining contribute to growth
 - Projected new growth in energy-related investments
- In 2015, major infrastructure projects will give rise to growth
 - "Förbifart Stockholm" (Bypassing Stockholm)
 - "Slussen" (The Lock)

"Förbifart Stockholm"



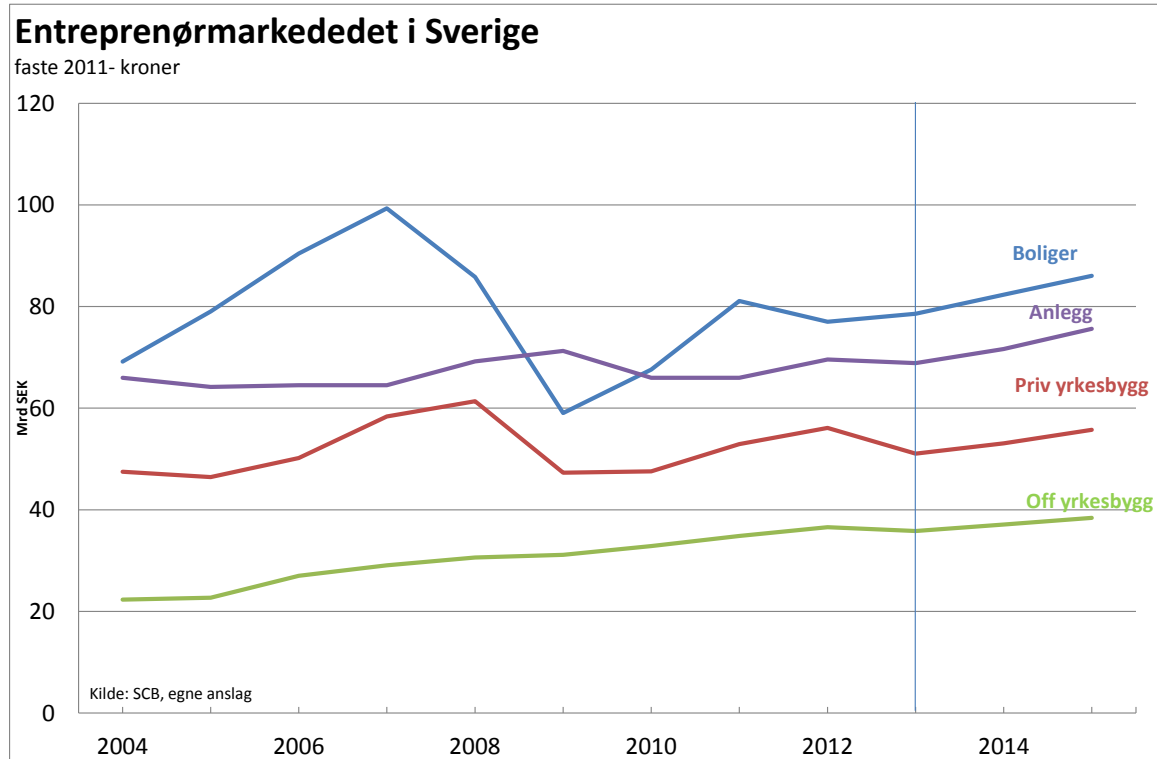
- A 21-km stretch of road that will run west of Stockholm
 - 18 km of the stretch will be in a tunnel
- The project carries an estimated price tag of NOK 28 billion 2009 SEK
 - 10-year construction period
 - 80% toll-financed and 20% government-financed
- Construction to begin in autumn 2014
 - Service roads
 - Accommodation roads

"Slussen" "a world-class meeting place"



- Cost about SEK 8 billion
- Scheduled for completion in 2020
- Demolition of the old lock in progress
 - New bus terminal
 - Upgrading of roads and railway tracks
 - Parks
 - Cultural facilities

The overall Building and Construction market



- Building and Construction investments down 2% in 2013
- Housing investments down 2% in 2013
- Investments in commercial buildings down 6%, public-sector investments up
- Construction tapering off at a high level
- New growth in 2014 and 2015
 - 4% in 2014 and some 5% in 2015



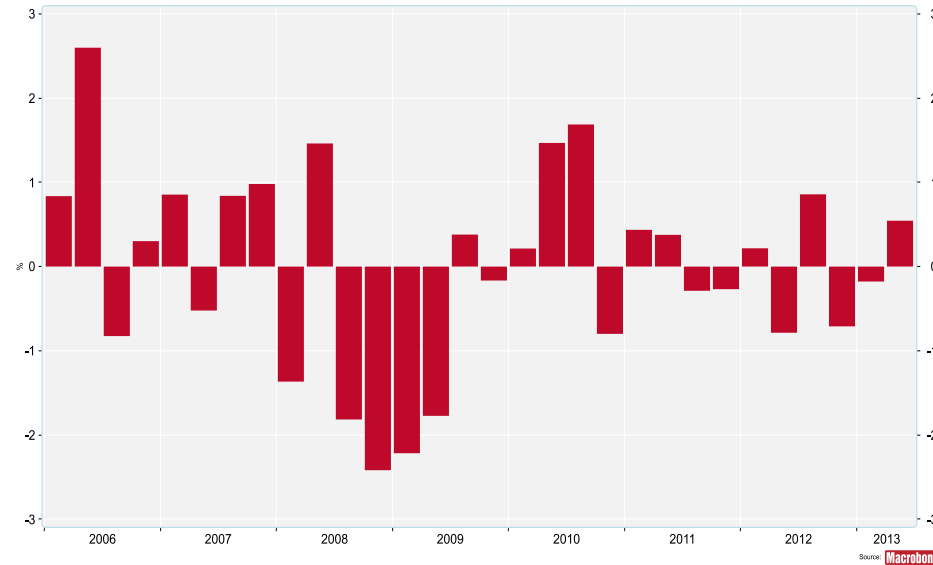
Glostrup Centre

The situation in Denmark

Denmark – on the road to recovery

Denmark: Gross Domestic Product

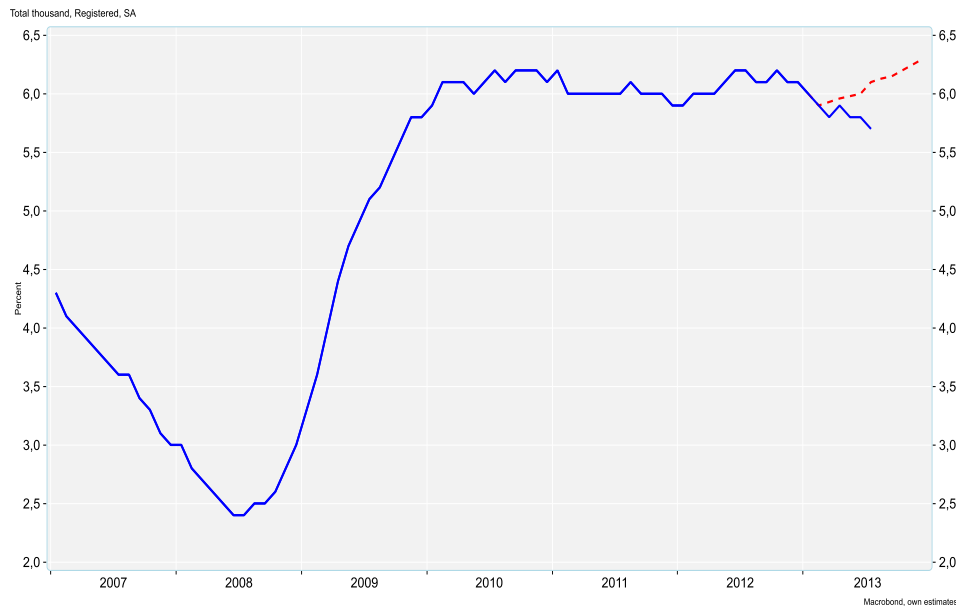
Quarterly growth from previous year



- GDP upturn in Q2
 - The beginning of a recovery?
- Households regaining confidence
 - Stimulating growth?
- Normalisation of the investment level = robust investment growth

Denmark – on the road to recovery

Denmark: Unemployment Rate

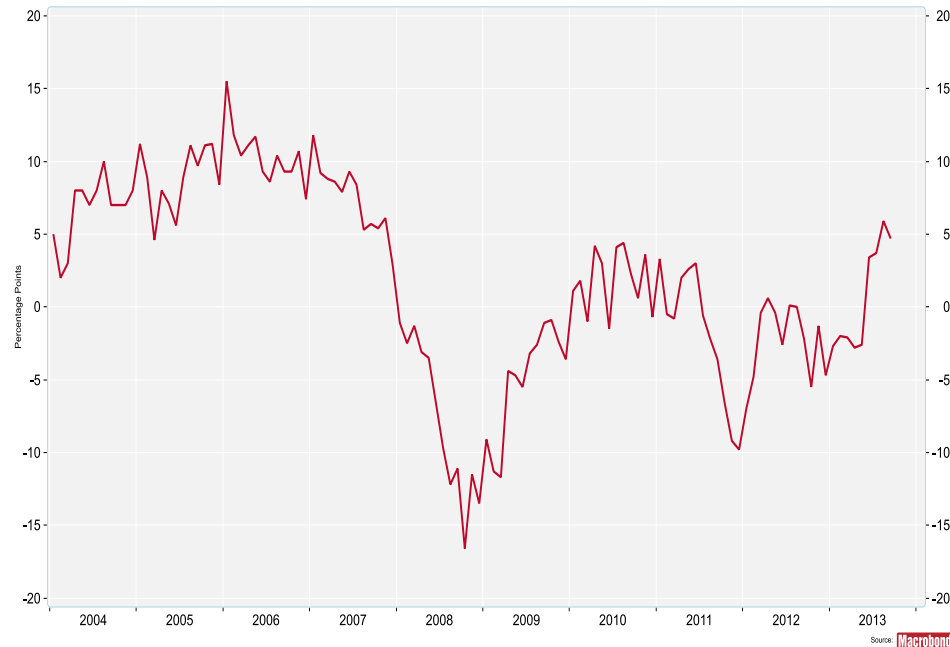


(Red line shows our prognoses)

- GDP upturn in Q2
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- Normalisation of the investment level = powerful investment growth

Denmark – on the road to recovery

Denmark - Consumer confidence

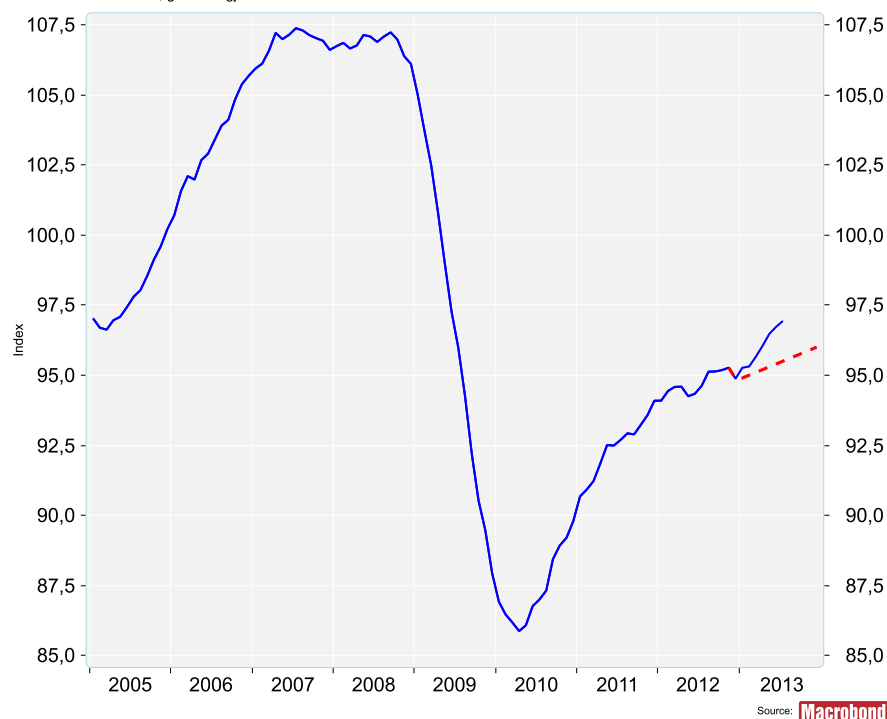


- GDP upturn in Q2
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Denmark – on the road to recovery

Dansk industri - produksjonsvolum

Prod. indeks 2005 = 100, glidende gjennomsnitt av 12 måneder



(Red line shows our prognoses)

- GDP upturn in Q2
 - The beginning of a recovery?
- Households regaining confidence
 - Stimulating growth
- Normalisation of the investment level = powerful investment growth

Denmark – on the road to recovery

Some prognoses from August/September:

GDP growth in %	2012	2013	2014
Min. of Ec. Affairs	-0.4	0.2	1.6
Danske Bank		0.1	1.4
DNB		0.4	1.7
Nordea		0.3	1.3
Veidekke		0.5 - 1	1.5

- GDP upturn in Q2
 - The beginning of a recovery?
- Households regaining confidence
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Rabalder Park, Roskilde

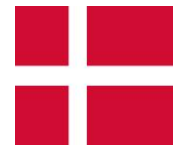
The building and construction market in Denmark

Contribution from the Danish economy



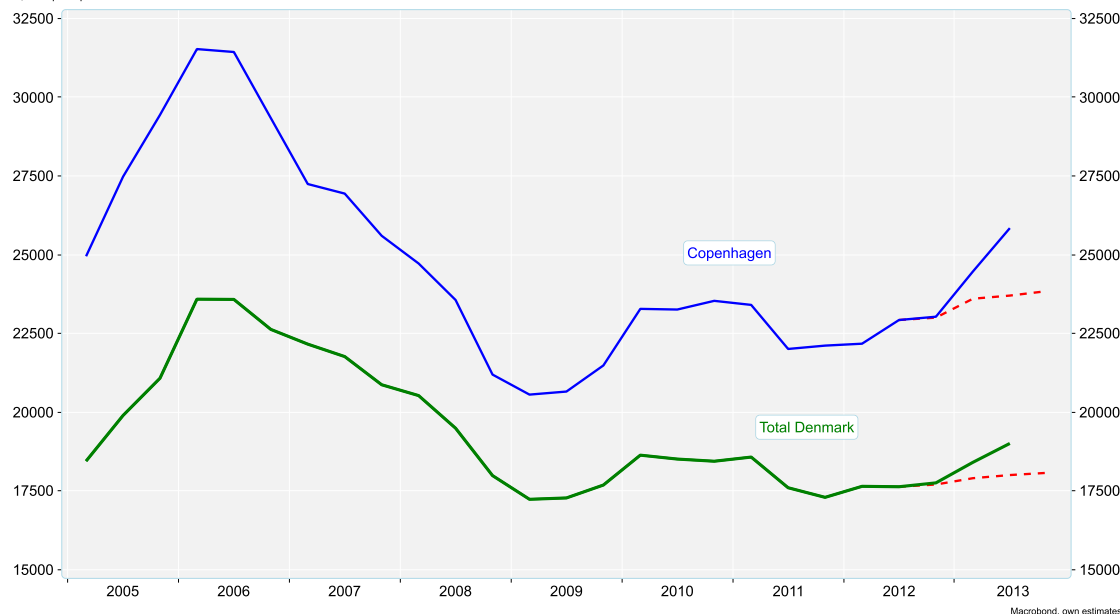
- Growth is returning to the Danish economy
- Labour market stable
- Household demand on the rise
- Enterprises' investments are expected to rise
- Still considerable available capacity after several years of slump

Housing prices on the way up



Denmark: Property Prices

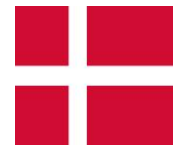
Flats, DKK per square meter



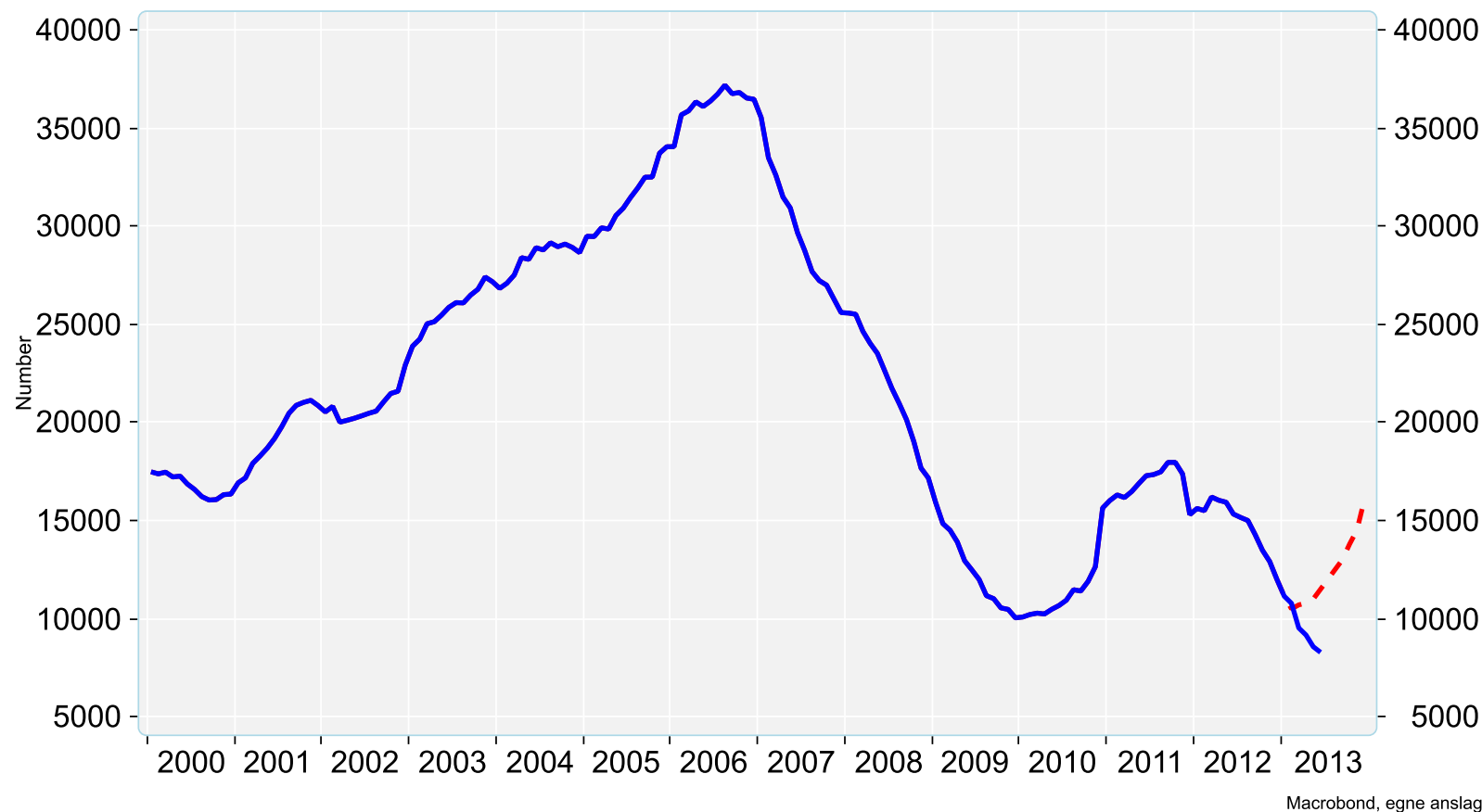
(Red line shows our prognoses)

- Housing prices moving up
 - Inflation of 13% in Copenhagen Q2/Q2
- Low building level over several years leads to little availability
- Housing still at a low level, about 10 000 housing starts
 - Continued low level of housing prices hampers starts

Housing construction is lagging behind!

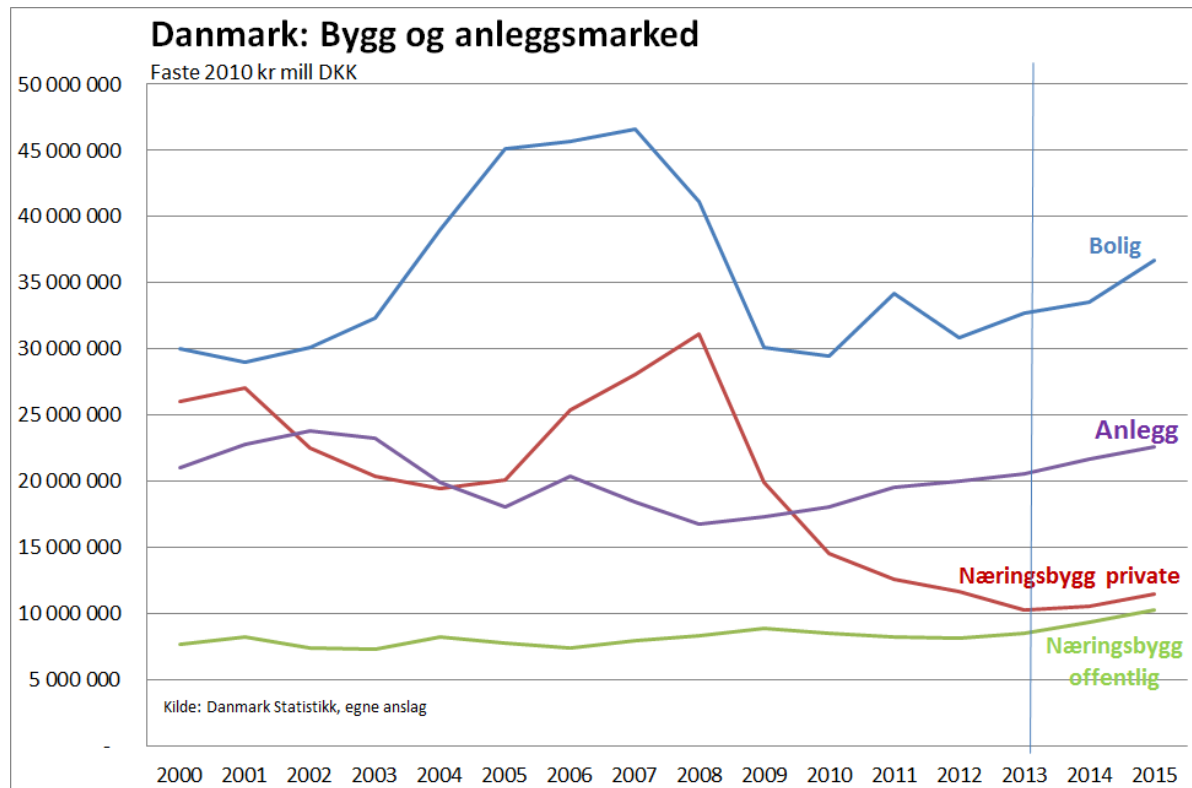


Danmark: Igangsatte boliger (sesongjustert, årlig rate)



(Red line shows our prognoses)

The overall building and construction market

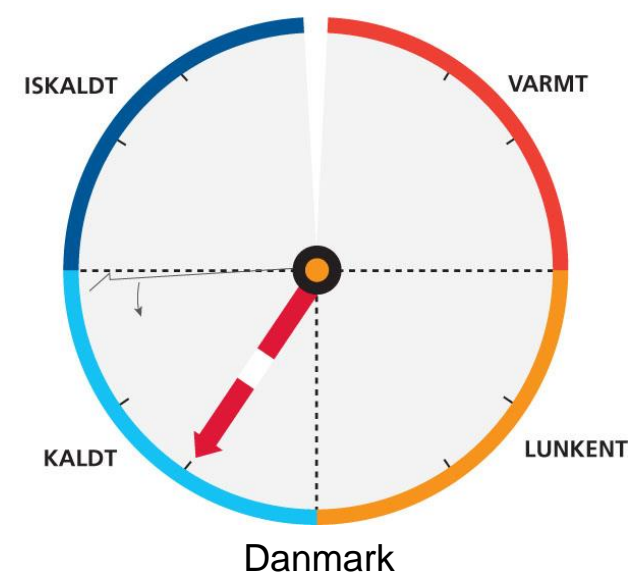
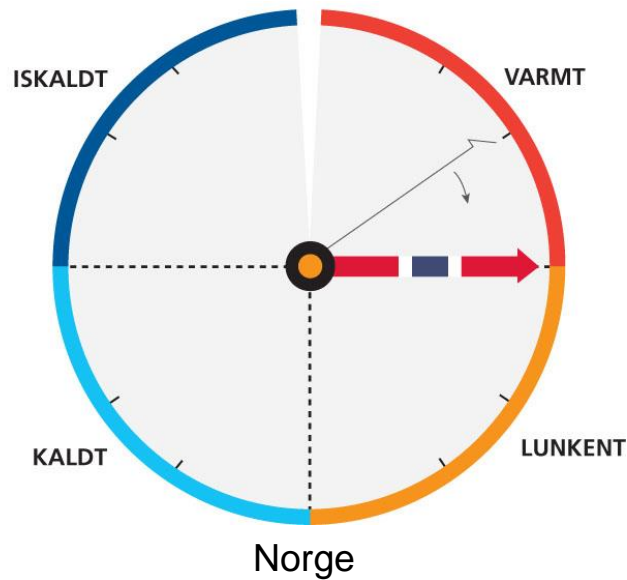


- Slightly brighter prospects for Danish building and construction
 - Level of activity still low
- Aggregate building and construction investments up 2% in 2013
 - Public funding contributing to growth
 - Private sector will take over in 2014 and 2015
- Housing investments up in 2014

Summary

- Better outlook at the international level
- The building and construction market, normalisation in Norway and improvement in Sweden and Denmark
- Brighter prospects for the building and construction market in Scandinavia in 2014 and 2015

Economic cycle wheel - macro overview for the next 6 months.





The next Economic Activity Report will be published
on 10 March 2014

Attachment: New market figures for building and construction

- Background: Statistics Norway's breakdown of building and construction figures is more limited than before
 - That makes it difficult to estimate the available construction market
- New market figures show the building and construction market as a whole
 - Higher market figures than before, but growth and trends not influenced much
 - All figures are exclusive of VAT
 - Excluding households' own investments
 - Excluding the Armed Forces' investments
- Consistency between the Scandinavian countries
- More updated figures