

Nordic Cyclical Barometer

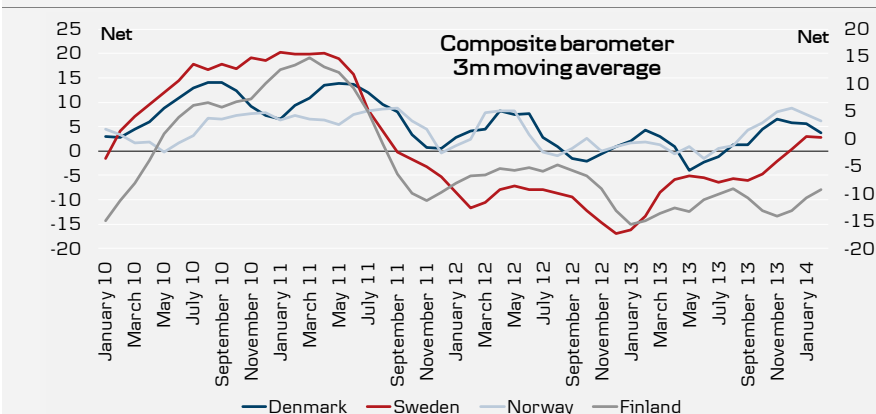
Industrial optimism

- According to Danske Bank's Nordic Cyclical Barometer, industrials remain optimistic although industrial confidence in the Nordic countries has generally fallen slightly. The barometer shows that industrials in three of the four countries still take an optimistic view of the economic situation. In Denmark, Norway and Sweden, the barometer indices (3-month moving average) remain above zero, although they fell to 3.7, 6.1 and 2.7 in February. In Finland, the index rose to -9.3. Although it is still negative, the Finnish index has been rising over the past four months, and it is now higher than the year-earlier level.
- Although the barometer indices are still far from pre-crisis levels, it is worth noting that indices have climbed steadily in most countries over the past year, and it seems that the effects of the resurgent European debt crisis are fading.
- The Nordic countries depend heavily on exports – particularly industrial exports. Most of their exports go to other European markets, and consequently, it is important that the eurozone is no longer in recession, with positive growth rates recorded for the past three quarters. Improved economic growth equals increased demand for goods manufactured in the Nordic countries.
- The current crisis between the Ukraine and Russia may create some uncertainty about the outlook for the Finnish economy, as Finland trades considerably with Russia. Our data, however, precede the crisis.
- In terms of the sub-indices, production indices are rising in Finland, Sweden and Norway, while the Danish index has fallen slightly recently although it remains positive. Even though industrials generally report increasing stocks, order indices are higher than last year's levels. So the increase in production is also caused by improved order books, which in turn suggests that economic activity is picking up in the Nordic region.

Key trends

- Although the cyclical barometer indices fell in Denmark, Norway and Sweden in February, industrials are still optimistic.
- In Finland, the index is at its highest level for a long time, although it is still negative.
- Nordic industrials benefit from the recent improvement in economic conditions in Europe, which strengthens their export potential in neighbouring markets.
- Production indices have been rising in Finland, Norway and Sweden, but falling in Denmark in recent months.
- Order books have been increasing steadily in Denmark, Norway and Sweden during the past year, but are flat in Finland.

Growing industrial confidence in the past year



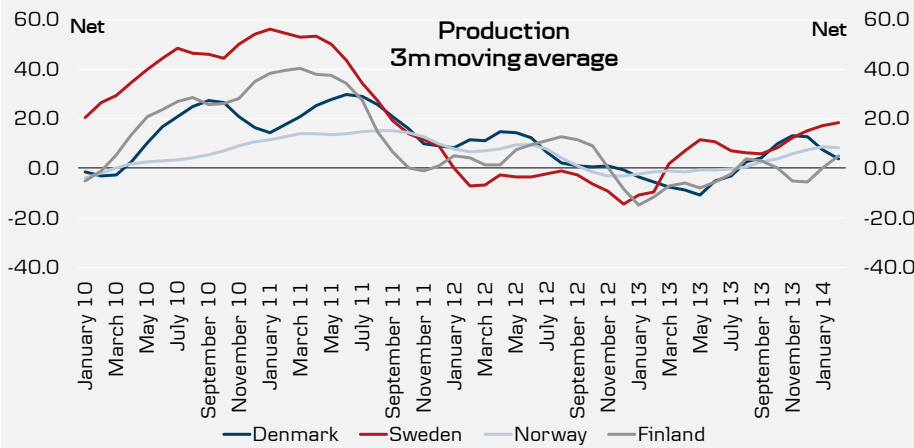
Sources: Macrobond Financial and Danske Bank

The Cyclical Barometer in detail

Nordic Cyclical Barometer

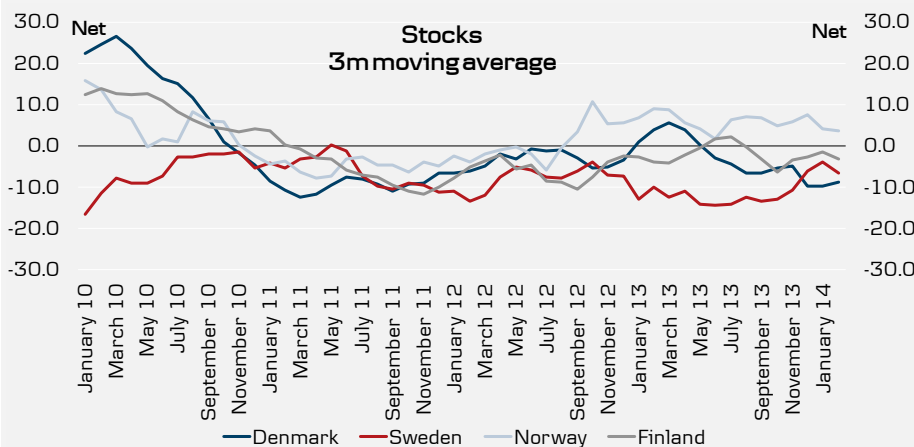
- Nordic Cyclical Barometer is a standardised leading indicator for industrial developments in the four Nordic economies.
- The barometer is based on existing data from the national business confidence indices published by EcoFin and the Purchasing Managers Index (PMI) published by DILF in Denmark, Swedbank in Sweden and NIMA in Norway.
- The barometer is a weighted composite of sub-indices of production, stocks and order books.
- In contrast to the official indices, the Nordic Cyclical Barometer is a composite, which better facilitates a comparison of the cyclical situation of industrials across the Nordic countries.
- There is usually a close correlation between the trends in the Cyclical Barometer and GDP growth in a given quarter.

Positive production indices in all Nordic countries



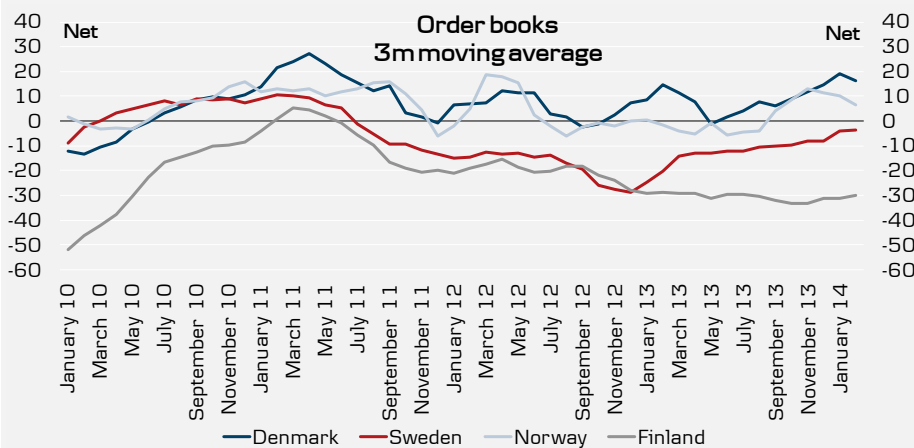
Sources: Macrobond Financial and Danske Bank

Stocks increasing in Denmark, Finland and Sweden, but decreasing in Norway



Sources: Macrobond Financial and Danske Bank

Order book indices rising in Denmark, Norway and Sweden



Sources: Macrobond Financial and Danske Bank

The Cyclical Barometer in figures

Nordic Cyclical Barometer – components and composite (3-month moving average)				
	Production		Stocks	
	Jan-14	Feb-14	Jan-14	Feb-14
Denmark	7.3	3.8	-9.8	-8.8
Sweden	17.3	18.5	-4.0	-6.6
Norway	8.6	8.4	4.0	3.5
Finland	0.2	5.1	-1.5	-3.2
	Order books		Composite cyclical barometer	
	Jan-14	Feb-14	Jan-14	Feb-14
Denmark	19.2	16.1	5.6	3.7
Sweden	-4.2	-3.7	3.0	2.7
Norway	10.0	6.3	7.5	6.1
Finland	-31.2	-29.9	-10.8	-9.3

Sources: Macrobond Financial and Danske Bank

Nordic Cyclical Barometer (cont'd)

- A net figure above zero indicates growth stronger than in a normal business cycle situation.
- In the *production* category, a net figure above zero means that an overweight of companies reports production growth in the past three months.
- In the *stocks* category, a positive net figure means that an overweight of companies reports a lower-than normal inventory. This has a positive effect on the composite cyclical barometer because the companies are expected to increase production to increase their stocks.
- In the *order book* category, a positive net figure means that an overweight of companies reports improvement in their order books, which is expected to increase their production.
- The *composite cyclical barometer* is calculated as a simple average of the three sub-categories *production*, *stocks* and *order book*.

Disclosure

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