



# Nordics – DNB Insights



Hagen-Holger Apel, Economist  
DNB Asset Management

Hagen-Holger Apel is Senior Portfolio Manager at DNB Asset Management S.A. since July 2015. Mr. Apel is an economics graduate (LMU Munich) and Certified International Investment Analyst (DVFA Frankfurt). He has close to 10 years experience from working in the Luxembourg financial centre. He speaks German, English and Swedish.

## Scandinavia: small, efficient & well positioned December 2015

When we think of Scandinavia, so we think of long midsummer nights, carefree vacation on a lake and a cold and long winter. But if we look more closely, we discover besides a beautiful nature and lovely people also efficient and well positioned, small economies. Scandinavia, here Norway, Sweden, Finland and Denmark, comprising approximately 25 million inhabitants who are mainly located in urban centers. What makes them so special?

The ancestors of today's Scandinavian population have always been operated commercially with its southern and eastern neighbors, as documented, for example in the history of the Hanseatic League. This fact is still valid nowadays, because the Scandinavian economies can generally be described as small but open economies. Looking at the export quotas as a percentage of GDP, so the Swedes export about 45%, Norway and Finland about 38% and Denmark 54% of their GDP. Germany, widely known as one of the major exporting nations of the world, has an export quota of 45% with a GDP of approximately US \$ 3.900 billion.

Of course has a country with more than 80 million inhabitants a larger GDP, but Sweden generated 570 billion USD, Norway USD 500 billion, Finland 272 billion USD and Denmark 342 billion USD.

But absolute figures will not help if you want to compare economies.

Relative figures bring a little more clarity, because measured per capita, a German generates approximately 48,000 USD, a Swede \$ 58,500, a Norwegian \$ 96,900, a Finn \$ 50,000 and a Dane \$ 61,000.

The value for Norway is not representative due to the high value generated in the oil sector, however, are all per capita levels are above the figure for Germany. This approach is purely statistical and does not take into account the specifics of each country, but nevertheless this shows that the population of Scandinavia is very productive in generating value added per capita.

Where are the reasons to be found? Scandinavia throughout has stable economic and political conditions. The general level of education is high, the unemployment rate is low, the welfare system is well positioned. These are the ingredients for thriving economies, for growth and development. Our Nordic neighbors regularly occupy the first rows in the Ease of Doing Business Index published by the World Bank. Scandinavians are open towards new technologies and apply them quickly, for example, the penetration of households with fast Internet connections is much more advanced than in other European countries. Likewise, the mobile networks are very powerful and can quickly transfer large volumes.

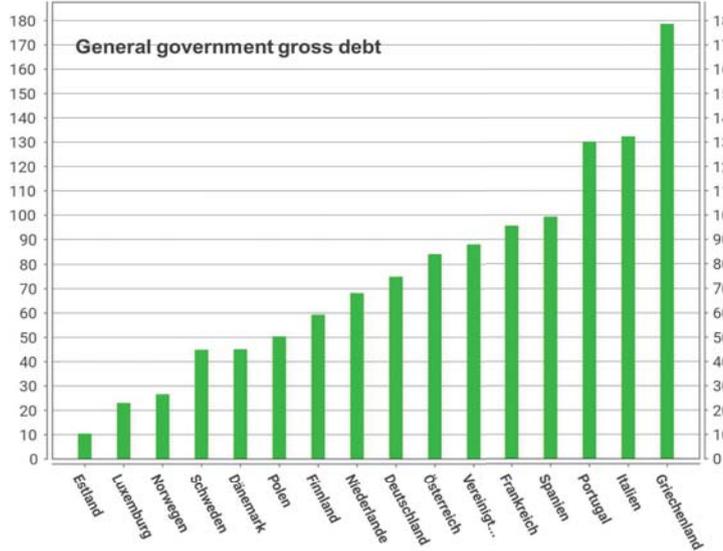
Home of many global players

Each of the aforementioned countries has specific strengths in various sectors and is home of many global players. Names such as H&M, Novo Nordisk, Statoil or KONE to name a few, should be familiar to most investors. Combining the Nordic stock indexes, this results in an important diversification between sectors within Scandinavia.

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| Sector                 | Norway<br>OSEBX | Nordic<br>VINXBCAPNI | Europe<br>MSCI Europe | World<br>MSCI World |
|------------------------|-----------------|----------------------|-----------------------|---------------------|
| Energy                 | 26,9            | 3,8                  | 7,2                   | 7,3                 |
| Materials              | 12,2            | 6,8                  | 7,7                   | 5,2                 |
| Industrials            | 5,6             | 22,8                 | 11,1                  | 10,8                |
| Consumer Discretionary | 8,3             | 10,1                 | 13,6                  | 13,0                |
| Consumer Staples       | 10,0            | 5,4                  | 13,0                  | 9,7                 |
| Health Care            | 0,4             | 12,8                 | 13,6                  | 13,4                |
| Financials             | 19,2            | 24,6                 | 22,9                  | 20,9                |
| Information Technology | 3,9             | 7,6                  | 3,5                   | 13,4                |
| Telecommunication      | 13,4            | 5,3                  | 4,9                   | 3,2                 |
| Utilities              | 0,2             | 0,9                  | 3,9                   | 3,1                 |
| No. companies:         | Appr. 59        | Appr. 140            | Appr. 440             | Appr. 1.650         |

Not insignificant is the fact that the Scandinavian economies have low total gross debt compared to most other European countries. This allows scope for fiscal measures in recessions or periods of economic slowdown. However, most economists currently do not expect a cooling of the economy in our Nordic neighbors.

With this issue of DNB Insights, DNB Asset Management Luxembourg thanks all customers, business partners and readers for their loyalty and cooperation. We wish our readers a great end of the year and we look forward to working with you in 2016.

The growth forecasts of most economists are quite considerable and positive. Although Norway currently suffers greatly from the weaker oil prices and Finland showing parallels to Germany in the late 90s, so show the Bloomberg consensus estimates of real GDP growth rates for the coming years upwards. The expected GDP growth for 2016 and 2017 is for Sweden at an average of about 2.7%, in Denmark 1.9%, Norway 1.7% and in Finland, 1.1%. These expected growth rates are in some cases significantly higher than the estimated values for many other European countries. Without major distortions or disruptions these are excellent prospects for the Scandinavian economies and therefore for investments. So Investors can cool headed look forward to the next Scandinavian Midsummer.

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DNB Asset Management S.A. · 13, rue Goethe, L-1637 Luxembourg · Tel.: +352 45 49 45 1 · funds@dnb.no · www.dnb.no/lu/en

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