

# Nordics outlook report

## Third quarter of 2023





# Index

The objective of Nordics' quarterly report is to provide a comprehensive and summarized overview of the main indicators of the countries banking sector, as well as the macroeconomic situation at the end of each quarter.

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# 1. International overview

***In 3Q23, the slowdown in the world's major economies intensified due to tighter financial conditions, weak trade growth and lower business and consumer confidence. The outlook is for lower growth in 2024 and inflation is expected to be on target by the end of 2025.***

## Macroeconomic outlook

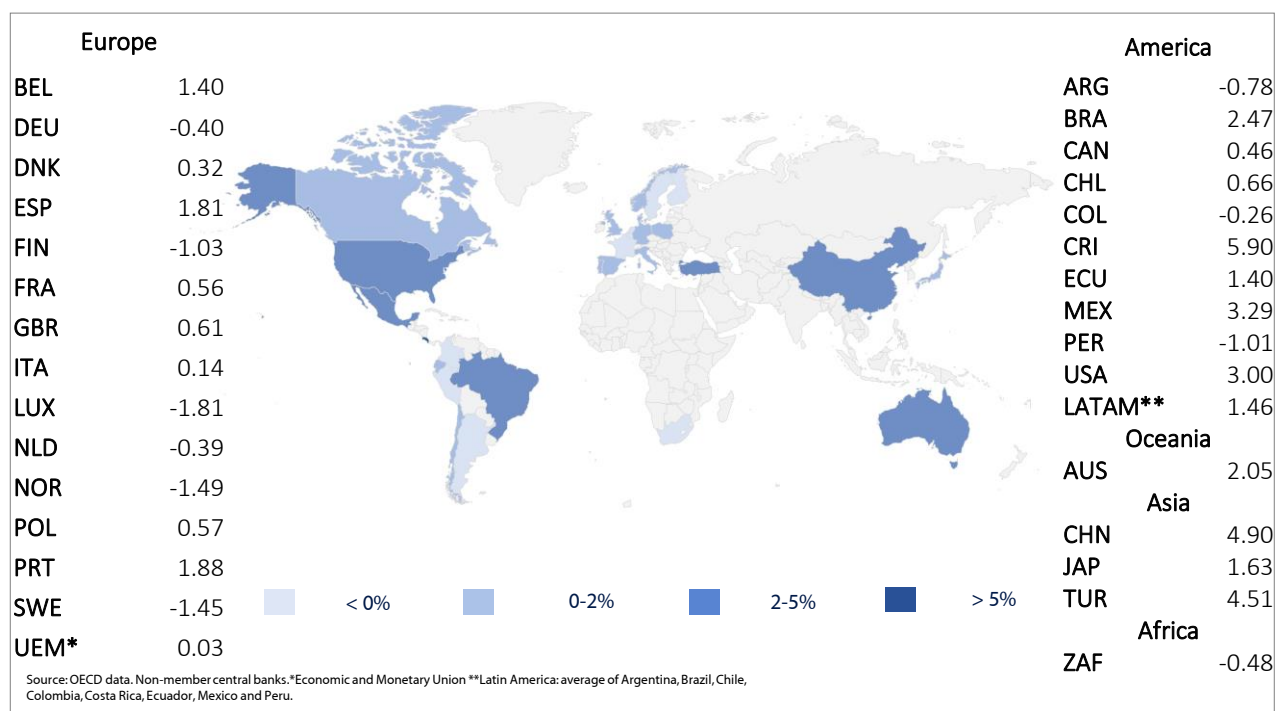
- ▶ During 3Q23, the Eurozone recorded a slight year-on-year growth of 0.03%, compared to the 0.47% recorded in 2Q23, consolidating the economic stagnation of the zone. Germany recorded its third consecutive quarter of decline, as did Finland and Luxembourg. The average CPI in the Eurozone decreased by 1.25 p.p. compared to 2Q23 to 4.95%, also highlighting the fall in core inflation, while the average unemployment rate remained constant at 6.4%.
- ▶ Regarding the American region, the slight economic growth of the Latam<sup>1</sup> region with respect to the previous quarter (1.46% versus 1.22%) was noteworthy, partly due to the recovery of the growth rate of some countries such as Argentina by 2.25 p.p. and Chile by 1.75 p.p. As for the US, growth continued to consolidate at a rate of 2.93% (2.56% in 2Q23). As for inflation, in the US it fell to 3.51%, while the Latam<sup>1</sup> average stood at 20.88% (excluding Argentina (125.89%) the average stood at 5.88%, down from 2Q23 (7.07%)). Unemployment rates on the continent were generally stable compared to the previous quarter's baseline.
- ▶ In the Asian region, China continued to post strong growth, but lower than the previous quarter, at 4.90% (6.30% in 2Q23), as did Japan, which reached 1.63% (1.73% in 2Q23).
- ▶ For its part, Australia recorded year-on-year growth of 2.05% (2.07% in 2Q23), continuing its economic slowdown, with a relatively stable unemployment rate of around 3.66% and falling but still high inflation, which closed the third quarter of the year at 5.37%.
- ▶ South Africa, on the other hand, recorded a negative growth rate of -0.48% (compared to 1.68% in the previous quarter), albeit with a declining inflation rate of 5.02% and a high unemployment rate of almost 33%.
- ▶ The IMF expects global growth to decline 3.5% from that recorded in 2022 to an estimated 3.0% in 2023 and to 2.9% in 2024, in the face of the continuing economic drag from rising interest rates as part of central banks' monetary policy to combat inflation. Meanwhile, global inflation is forecast to fall from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024, while core inflation is expected to decline more gradually. Inflation is expected to reach the target levels of individual central banks by the end of 2025.
- ▶ ECLAC forecasts that the economies of the Latin American region will maintain low levels of growth during this and next year, affected by a negative global and very complex regional economic outlook, estimating an average regional GDP growth of 1.7% in 2023, while for 2024 it projects a slight decline to 1.5%. By sub-regions, South America is estimated to grow by 1.2%, Central America and Mexico by 3% and the Caribbean by 4.2%.

## Other indicators and main risks

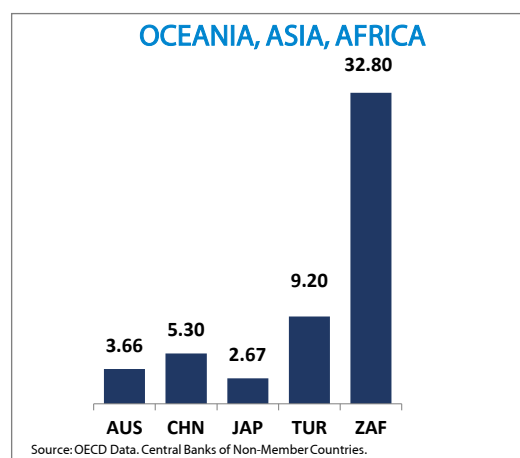
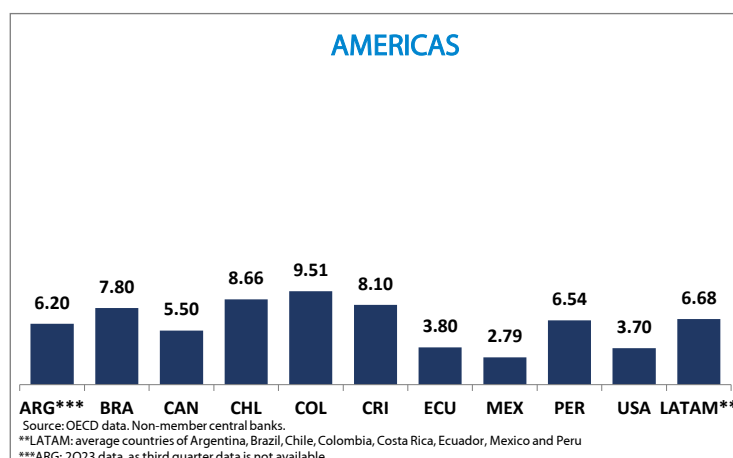
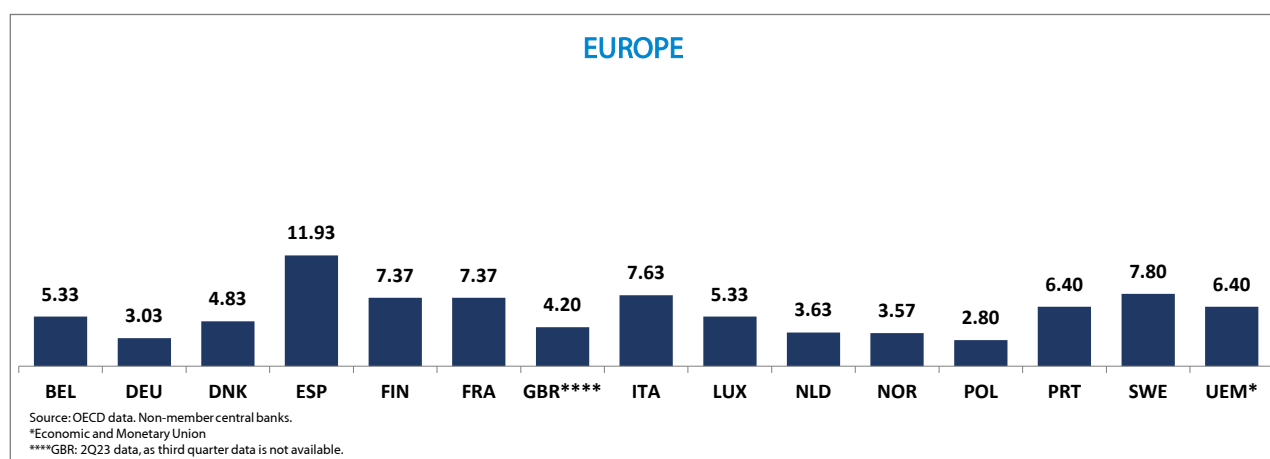
- ▶ The euro has depreciated very slightly against the dollar in the last quarter, although it has remained strong, standing at €0.92 per dollar in the third quarter. The OECD expects the US dollar to appreciate against most currencies in the last six months of 2023, aided by the safe-haven effect amid rising geopolitical tensions. Significant currency depreciations have also occurred in some emerging market economies with relatively high or rising inflation.
- ▶ However, the main Latin American currencies appreciated slightly against the dollar in 3Q23, with the exception of the Chilean peso and the Argentine peso, whose exchange rate increased compared to 2Q23, to 839.20 Chilean pesos per dollar and 334.66 Argentine pesos per dollar.
- ▶ The IMF expects overall debt to increase.

<sup>1</sup> The average for Latam countries is based on macroeconomic data for Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru

## GDP (% , year-on-year growth)

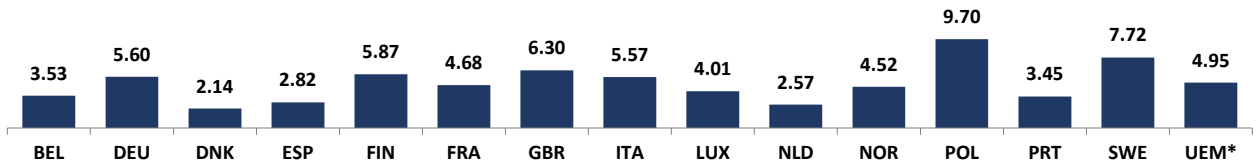


## Unemployment rate (%)



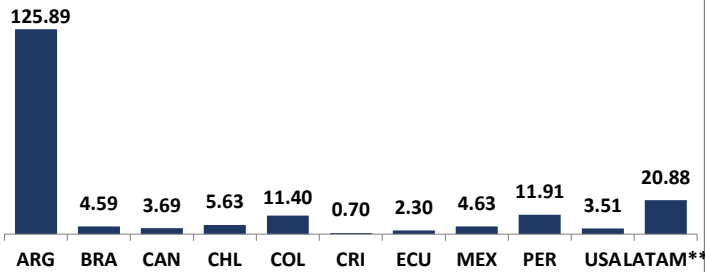
## Inflation rate (%)

### EUROPE



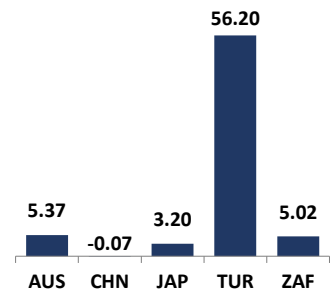
Source: OECD Data. Central Banks of Non-Member Countries.  
\*Monetary and Economic Union

### AMERICAS



Source: OECD Data. Central Banks of Non-Member Countries  
\*\*LATAM: average of Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, and Peru

### OCEANIA, ASIA, AFRICA



Source: OECD Data. Central Banks of Non-Member Countries

## Global Ratings and Exchange Rates

### LONG-TERM RATES 3Q23

	MOODY'S	S&P	Fitch
<b>EUROPE</b>			
BEL	Aa3	AA	AA-
DEU	Aaa	AAA	AAA
DNK	Aaa	AAA	AAA
ESP	Baa1	A	A-
FIN	Aa1	AA+	AA+
FRA	Aa2	AA	AA-
ITA	Baa3	BBB	BBB
LUX	Aaa	AAA	AAA
NLD	Aaa	AAA	AAA
NOR	Aaa	AAA	AAA
POL	A2	A-	A-
PRT	A3▲	BBB+	BBB+
GBR	Aa3	AA	AA-
SWE	Aaa	AAA	AAA
<b>AFRICA</b>			
ZAF	Ba2	BB-	BB-
<b>OCEANIA</b>			
AUS	Aaa	AAA	AAA
<b>ASIA</b>			
CHN	A1	A+	A+
JAP	A1	A+	A
TUR	B3	B	B
<b>AMERICAS</b>			
ARG	Ca	CCC-	C
BRA	Ba2	BB-	BB-
CAN	Aaa	AAA	AA+
CHL	A2	A	A-
COL	Baa2	BB+	BB+
CRI	B1▲	BB-▲	BB-
ECU	Caa3	B-	B-
MEX	Baa2	BBB	BBB-
PER	Baa1	BBB	BBB
USA	Aaa	AA+	AAA

▲ Increased from 2Q23

▼ Decreased from 2Q23

Source: Investing

### EXCHANGE RATES 3Q23 (\$\*)

EUROPE	3Q22	4Q22	1Q23	2Q23	3Q23	2023
EUR	1.00	0.97	0.93	0.92	0.92	0.92
DKK	7.59	6.95	6.91	6.85	6.85	6.86
NOK	10.91	9.80	10.27	10.81	10.48	10.56
SEK	11.09	10.45	9.58	10.63	10.81	10.35
GBP	1.12	1.21	0.82	0.80	0.79	0.81
PLN	4.96	4.38	4.36	4.15	4.14	4.23
AMERICAS	3Q22	4Q22	1Q23	2Q23	3Q23	2023
ARG	135.79	176.71	197.70	239.22	334.66	219.09
BRL	5.41	5.29	5.10	4.94	4.89	5.00
CLP	965.90	849.41	805.80	805.20	839.20	796.01
COP	4,597.52	4,849.39	4,725.30	4,438.83	4,043.78	4,611.09
PER	3.99	3.80	3.79	3.66	3.66	3.71
MXN	20.10	19.50	18.38	17.59	17.06	17.88
AFRICA	3Q22	4Q22	1Q23	2Q23	3Q23	2023
ZAR	18.15	17.00	17.76	18.94	18.64	18.82
OCEANIA	3Q22	4Q22	1Q23	2Q23	3Q23	2023
AUS	1.56	1.47	1.47	1.51	1.53	1.49
ASIA	3Q22	4Q22	1Q23	2Q23	3Q23	2023
RMB	7.11	6.90	6.85	7.09	7.24	6.93
TRY	18.21	18.62	18.94	22.09	26.81	19.40

Source: Investing, OECD projections, November 2023.

\*The base currency used is the US dollar against each local currency quoted

## 2. Macroeconomic view : Denmark

**The Danish economy in 3Q23 saw GDP growth of 0.32% and rising domestic demand, with the CPI up 2.14% indicating subdued inflation. A slight decline in unemployment to 4.83% and steady employment growth show a resilient labor market and a stable economy.**

**Main Macroeconomic Indicators (%)**

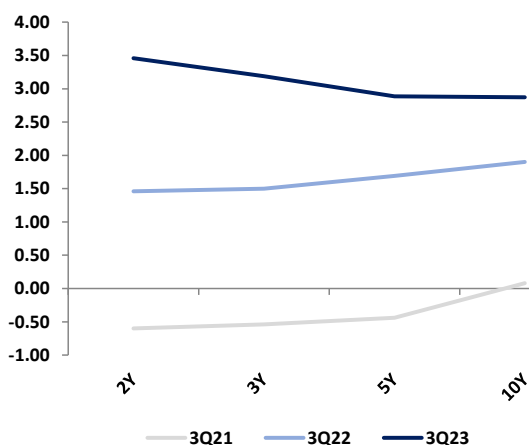
ACTIVITY	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p.2Q23	Var. p.p.3Q22	2023	2024
<b>GDP</b>	<b>1.40</b>	<b>1.60</b>	<b>2.36</b>	<b>1.47</b>	<b>0.32</b>	<b>-1.15</b>	<b>-1.08</b>	<b>1.30</b>	<b>1.15</b>
DOMESTIC DEMAND	-3.50	-5.65	-2.02	1.26	4.26	3.00	7.76	-1.72	0.76
HOUSEHOLD CONSUMPTION	-4.43	-4.82	-1.16	-0.28	2.07	2.35	6.50	0.56	1.08
PUBLIC CONSUMPTION	-1.70	-7.19	-3.67	0.99	2.92	1.93	4.62	0.86	2.03
CAPITAL FORMATION	6.53	14.69	-6.80	-13.67	-1.93	11.74	-8.46	-5.24	-1.34
EXTERNAL DEMAND									
EXPORTS	12.25	5.79	8.72	7.72	12.20	4.48	-0.05	7.74	3.33
IMPORTS	3.84	2.24	1.84	1.27	17.18	15.91	13.34	4.30	2.68
<b>INFLATION</b>									
<b>CPI</b>	<b>9.21</b>	<b>9.24</b>	<b>7.33</b>	<b>3.55</b>	<b>2.14</b>	<b>-1.41</b>	<b>-7.07</b>	<b>3.57</b>	<b>2.78</b>
<b>LABOUR MARKET</b>									
<b>UNEMPLOYMENT RATE</b>	<b>4.57</b>	<b>4.67</b>	<b>4.70</b>	<b>4.93</b>	<b>4.83</b>	<b>-0.10</b>	<b>0.26</b>	<b>5.04</b>	<b>5.82</b>
<b>EMPLOYMENT*</b>	<b>2.76</b>	<b>2.05</b>	<b>1.58</b>	<b>1.70</b>	<b>1.73</b>	<b>0.03</b>	<b>-1.03</b>	<b>0.18</b>	<b>-1.18</b>

\*The employment variable represents the year-on-year change in employment growth.

Source: Organisation for Economic Co-operation and Development (OECD). OECD projections November 2023.

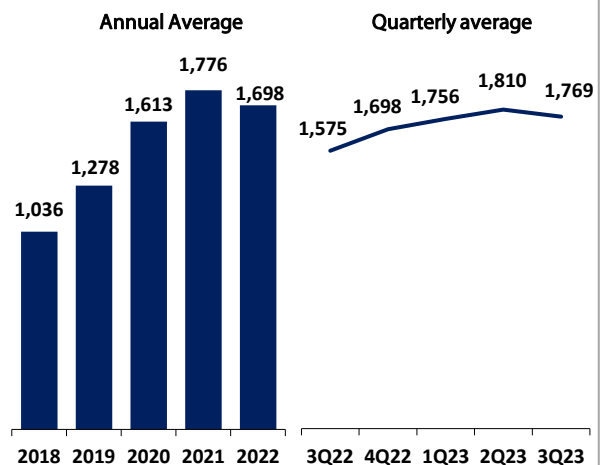
- ▶ The Danish economy experienced slight GDP growth of 0.32% in 3Q23, which meant a decline compared to the previous quarter. Domestic demand showed strong growth compared to previous periods, being 4.26% in 3Q23 following robust growth from 1.26% in 2Q23.
- ▶ In 3Q23, Denmark's CPI was 2.14%, which was significantly lower than previous periods, and could signal a stabilizing inflation rate, hinting at emerging deflationary trends and forecasting a potential easing of price growth in the economy.
- ▶ Denmark's unemployment rate slightly lowered to 4.83% in 3Q23 alongside a 1.73% employment rate in in the same quarter, signaling a strengthening labor market. These figures suggest a positive economic trajectory, with potential for increased consumer spending and sustained job growth, indicating robust economic health and promising prospects.

**Treasury Yield Curves Rates (%)**



Source: Investing

**OMXC25**



Source: Investing

# Macroeconomic view : Finland

**Finland recorded a decline in GDP (-1.03%) in 3Q23 due to lower investment and household consumption, which reduced domestic demand. In addition, a slight increase in public consumption was observed, with expectations of rising debt in the coming years. A continued decline in the CPI signals the end of recessionary monetary policy.**

**Main Macroeconomic Indicators (%)**

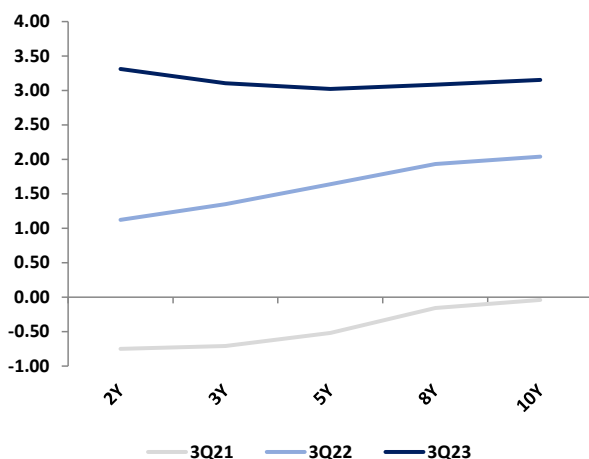
ACTIVITY	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p.2Q23	Var. p.p.3Q22	2023	2024
<b>GDP</b>	<b>1.23</b>	<b>-0.12</b>	<b>0.09</b>	<b>-0.23</b>	<b>-1.03</b>	<b>-0.80</b>	<b>-2.26</b>	<b>-0.05</b>	<b>0.91</b>
DOMESTIC DEMAND	0.87	-0.75	0.88	-0.31	-0.19	0.12	-1.06	-1.35	1.01
HOUSEHOLD CONSUMPTION	0.73	-0.45	0.54	-1.51	-1.45	0.06	-2.18	-0.49	0.23
PUBLIC CONSUMPTION	1.10	0.17	3.91	8.72	2.48	-6.24	1.38	8.58	1.16
CAPITAL FORMATION	4.65	-2.28	-21.03	-18.89	-8.41	10.48	-13.06	-3.94	1.73
EXTERNAL DEMAND									
EXPORTS	3.66	-0.99	2.65	-0.60	-3.52	-2.92	-7.18	0.09	2.79
IMPORTS	8.53	-0.16	-3.90	-7.29	-9.77	-2.48	-18.30	-4.68	1.99
<b>INFLATION</b>									
<b>CPI</b>	<b>7.84</b>	<b>8.87</b>	<b>8.39</b>	<b>7.00</b>	<b>5.87</b>	<b>-1.13</b>	<b>-1.97</b>	<b>4.53</b>	<b>2.20</b>
<b>LABOUR MARKET</b>									
<b>UNEMPLOYMENT RATE</b>	<b>7.20</b>	<b>6.77</b>	<b>6.70</b>	<b>7.13</b>	<b>7.37</b>	<b>0.24</b>	<b>0.17</b>	<b>7.18</b>	<b>7.40</b>
<b>EMPLOYMENT*</b>	<b>2.15</b>	<b>0.58</b>	<b>-1.28</b>	<b>1.33</b>	<b>0.33</b>	<b>-1.00</b>	<b>-1.82</b>	<b>0.69</b>	<b>0.31</b>

\*The employment variable represents the year-on-year change in employment growth.

Source: Organisation for Economic Co-operation and Development (OECD). OECD projections November 2023.

- ▶ GDP fell by 1.03% in 3Q23 in Finland, which was attributed to higher financing costs and weak private consumption. Another factor negatively impacting GDP was capital formation, which, although considerably higher than in 2Q23, still showed a decrease of 13.06 p.p. compared to 3Q22.
- ▶ Domestic demand was negative in the third quarter, with fluctuations between growth and deficits on a quarterly basis, establishing a decreasing trend line with a significant reduction on construction sector.
- ▶ CPI has declined steadily since the fourth quarter of 2022 and, as the economy cools, the lagged effects of EU monetary policy and lower energy prices are being felt. Inflation was expected to fall to 4.53% in 2023 and is expected to decline 2.20% in 2024.
- ▶ The OMXH25 quarterly average has been declining over the past three quarters, reaching 4,343 points in 3Q23. As for the 3Q23 bond yield curve, it is more inverted than the Q3 2022 curve, showing uncertainty in the EU capital markets.

**Treasury Yield Curves Rates (%)**

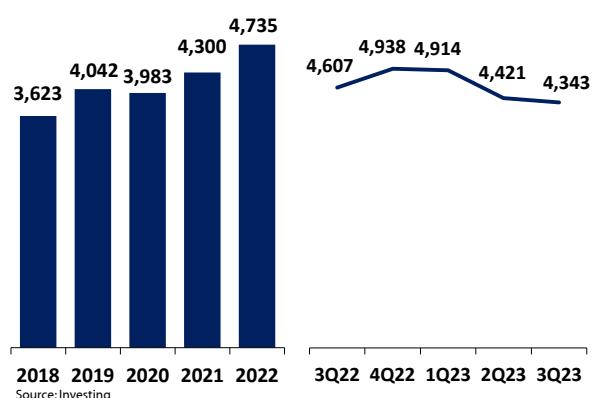


Source: Investing

**OMXH25**

Annual Average

Quarterly average



Source: Investing

# Macroeconomic view : Norway

**Norway experienced a fall in GDP in 3Q23 driven by a decline in investment, despite an increase in domestic demand from 2Q23. Despite declining exports and imports, a trade surplus was maintained, resisting global economic challenges. The CPI fell to 4.52%.**

**Main Macroeconomic Indicators (%)**

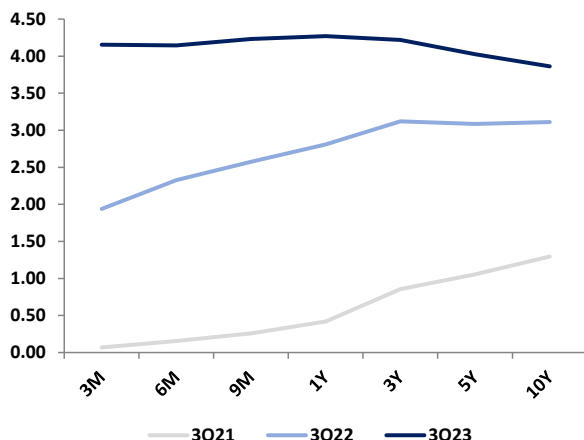
ACTIVITY	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p.2Q23	Var. p.p.3Q22	2023	2024
<b>GDP</b>	<b>2.28</b>	<b>1.76</b>	<b>2.39</b>	<b>1.53</b>	<b>-1.49</b>	<b>-3.02</b>	<b>-3.77</b>	<b>1.25</b>	<b>0.75</b>
DOMESTIC DEMAND	1.12	3.17	2.55	1.18	4.18	3.00	3.06	0.68	0.32
HOUSEHOLD CONSUMPTION	2.75	5.05	2.68	-0.42	-0.55	-0.13	-3.30	-0.90	0.62
PUBLIC CONSUMPTION	-1.62	-0.10	2.33	2.91	3.19	0.28	4.81	2.07	1.46
CAPITAL FORMATION	6.45	1.84	2.96	1.35	0.68	-0.67	-5.77	-0.35	-0.95
EXTERNAL DEMAND									
EXPORTS	6.51	3.39	7.94	6.54	-3.47	-10.01	-9.98	5.15	3.15
IMPORTS	7.70	6.45	8.73	4.56	-1.58	-6.14	-9.28	4.14	3.45
<b>INFLATION</b>									
<b>CPI</b>	<b>6.74</b>	<b>6.63</b>	<b>6.62</b>	<b>6.49</b>	<b>4.52</b>	<b>-1.97</b>	<b>-2.22</b>	<b>5.49</b>	<b>3.95</b>
<b>LABOUR MARKET</b>									
<b>UNEMPLOYMENT RATE</b>	<b>3.27</b>	<b>3.23</b>	<b>3.73</b>	<b>3.33</b>	<b>3.57</b>	<b>0.24</b>	<b>0.30</b>	<b>3.57</b>	<b>3.85</b>
<b>EMPLOYMENT*</b>	<b>3.51</b>	<b>2.56</b>	<b>2.23</b>	<b>-0.72</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>0.98</b>	<b>0.54</b>

\*The employment variable represents the year-on-year change in employment growth.

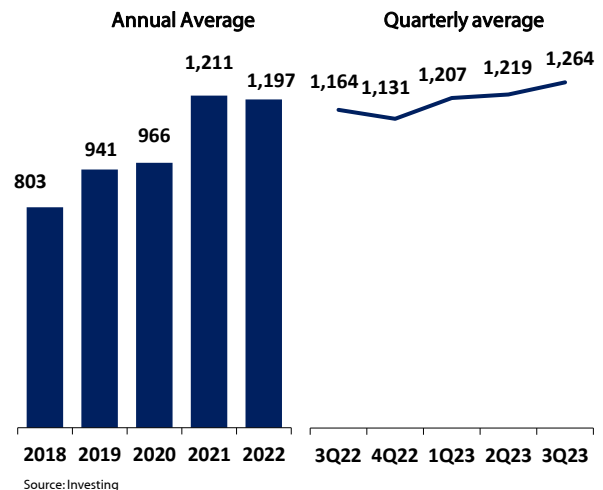
Source: Organisation for Economic Co-operation and Development (OECD). OECD projections November 2023.

- ▶ Norway's GDP growth decelerated in 3Q23 (-1.49%) with a negative variation of 3.77 p.p. compared to 3Q22 growth. The marginal decrease in capital formation down towards 0.68% could be the result of a pause in expansion and infrastructure development.
- ▶ Domestic demand showed growth of 4.18% in 3Q23, being the single largest growth in demand in the previous four quarters, mainly due to increased public consumption of 3.19% in 3Q23.
- ▶ The Consumer Price Index (CPI) showed a slight decrease compared to the previous quarter, which may signal a stabilization in inflationary pressures. This could indicate effective monetary policies or adjustments in market conditions that are easing price growth, potentially improving consumer purchasing power.
- ▶ In 3Q23, both exports and imports recorded negative growth. Yet, exports remained high enough to maintain a trade surplus, highlighting the enduring strength of the Norwegian export sector despite global economic challenges.

**Treasury Yield Curves Rates (%)**



**OSEBX GR**





# Macroeconomic view : Sweden

**The Swedish economy contracted in 3Q23, with GDP falling by 1.45% due to high inflation, uncertainty and rising interest rates. The overall forecast for 2023 is a contraction of 0.47%, with a projected recovery of 0.86% in 2024.**

**Main Macroeconomic Indicators (%)**

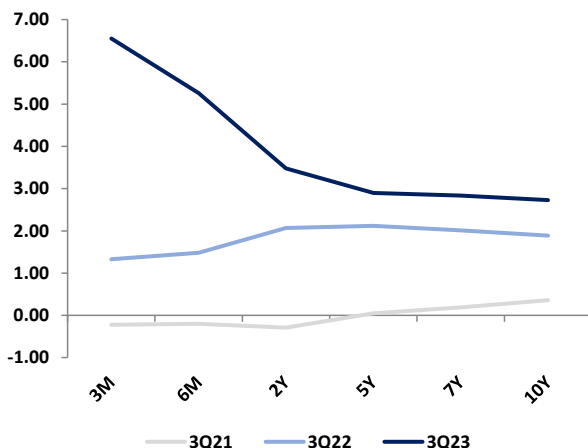
ACTIVITY	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p.2Q23	Var. p.p.3Q22	2023	2024
<b>GDP</b>	<b>2.55</b>	<b>-0.20</b>	<b>0.83</b>	<b>-0.79</b>	<b>-1.45</b>	<b>-0.66</b>	<b>-4.00</b>	<b>-0.47</b>	<b>0.86</b>
DOMESTIC DEMAND	0.10	-0.84	-0.83	-1.00	-0.77	0.23	-0.87	-1.20	0.72
HOUSEHOLD CONSUMPTION	-0.27	-1.83	-2.41	-3.17	-2.29	0.88	-2.02	-1.91	0.56
PUBLIC CONSUMPTION	0.27	0.71	1.48	2.55	1.74	-0.81	1.47	2.07	1.58
CAPITAL FORMATION	12.42	-2.11	0.62	-4.51	-10.88	-6.37	-23.30	-1.57	0.54
EXTERNAL DEMAND									
EXPORTS	8.62	5.42	4.66	2.78	1.73	-1.05	-6.89	2.01	2.60
IMPORTS	11.06	3.68	2.17	-0.11	-3.29	-3.18	-14.35	0.72	2.45
<b>INFLATION</b>									
<b>CPI</b>	<b>9.72</b>	<b>11.56</b>	<b>11.42</b>	<b>9.81</b>	<b>7.72</b>	<b>-2.09</b>	<b>-2.00</b>	<b>8.58</b>	<b>3.81</b>
<b>LABOUR MARKET</b>									
<b>UNEMPLOYMENT RATE</b>	<b>7.03</b>	<b>7.47</b>	<b>7.37</b>	<b>7.40</b>	<b>7.80</b>	<b>0.40</b>	<b>0.77</b>	<b>7.68</b>	<b>8.30</b>
<b>EMPLOYMENT*</b>	<b>2.66</b>	<b>2.21</b>	<b>2.15</b>	<b>2.17</b>	<b>2.63</b>	<b>0.46</b>	<b>-0.03</b>	<b>1.41</b>	<b>-0.16</b>

\*The employment variable represents the year-on-year change in employment growth.

Source: Organisation for Economic Co-operation and Development (OECD). OECD projections November 2023.

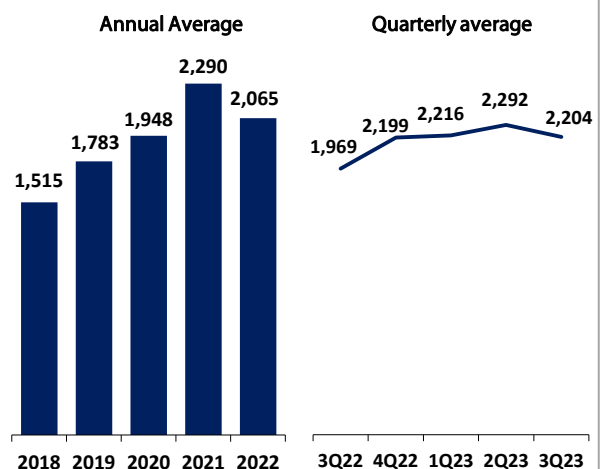
- ▶ The decline in domestic demand moderated in 3Q23, reaching -0.77% compared to -1.00% in the previous quarter. This suggests a possible stabilization of consumer spending, reflecting cautious optimism amid economic uncertainties. The cooling labor market is expected to contribute to a slowdown in domestic demand according to the 2023 forecast (-1.20%).
- ▶ Notably, capital formation experienced a significant contraction of -10.88% in 3Q23, raising concerns about the business investment climate. Investments in dwellings, other buildings and structures also contributed negatively during the quarter. The negative trend in capital formation is expected to ease in the coming quarters, with a forecasted growth of 0.54% in 2024.
- ▶ Despite the challenges in economic growth, the unemployment rate remained relatively stable at 7.80% in 3Q23. However, the employment growth rate experienced a decline from 3Q22, as the labor market is expected to cool.

**Treasury Yield Curves Rates (%)**



Source: Investing

**OMXS30**



Source: Investing

### 3. Banking sector: Denmark

*In the third quarter, both loans and deposits growth rates of the Danish banking sector decreased compared to 3Q22. The efficiency ratio improved year-on-year, as did the non-performing loans ratio (NPL) and the coverage ratio. In addition, all solvency ratios improved compared both to 3Q22 and 2Q23.*

BANKING SECTOR CONTEXT 3Q23 (%)							
BUSINESS	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p. 2Q23	Var. p.p. 3Q22
TOTAL LOANS*	12.81	9.69	8.92	2.79	5.09	2.31	-7.72
TOTAL DEPOSITS*	5.11	6.69	10.27	6.65	4.50	-2.16	-0.61
LTD RATIO	78.10	79.21	75.94	76.81	78.54	1.73	0.45
EFFICIENCY							
EFFICIENCY RATIO	88.82	77.04	46.48	47.10	46.44	-0.66	-42.38
EU AVERAGE	61.00	60.65	59.17	56.18	55.09	-1.09	-5.91
RISK							
NPL RATIO	1.44	1.40	1.32	1.30	1.28	-0.02	-0.16
EU AVERAGE	1.76	1.80	1.77	1.81	1.81	0.00	0.06
COVERAGE RATIO	27.02	28.02	28.30	28.90	28.85	-0.05	1.83
EU AVERAGE	44.07	43.49	43.64	42.93	42.55	-0.38	-1.52
SOLVENCY**							
CET1	17.72	17.74	18.09	18.18	18.79	0.61	1.07
LEVERAGE RATIO	4.84	4.94	4.88	5.00	5.08	0.08	0.24
LCR	179.84	243.53	181.16	163.90	188.89	24.99	9.05
DNB INTEREST RATE							
INTEREST RATE	0.80	1.90	2.75	3.25	3.75	0.50	2.95

\*The values for loans and deposits reflect their year-on-year growth rates.  
 \*\*CET1 ratio measured as fully-loaded and leverage ratio as fully phased-in definition of Tier 1  
 Source: Danmarks Nationalbank

- ▶ The growth rate for loans decreased in the third quarter of 2023 compared to 3Q22 (-7.72 p.p.) but increased compared to 2Q23 (2.31 p.p.). In addition, deposits growth rate worsened annually by 0.61 p.p. and quarterly by 2.16 p.p. The LTD ratio increased by 0.45 p.p. compared to 3Q22 to a 78.54% rate.
- ▶ The efficiency ratio of the Danish banking sector improved significantly year-on-year by 42.38 p.p., resulting in a total ratio of 46.44%, better than the EU average (55.09%).
- ▶ Non-performing loans ratio improved by 0.16 p.p. compared to 3Q22, reaching 1.28%, significantly better than the EU average of 1.81%. The coverage ratio improved in the third quarter compared to 3Q22 by 1.83 p.p. and slightly worsened by 0.05 p.p. compared to the previous quarter. However, the latter remained below the EU average (28.85% vs 42.55%).
- ▶ All solvency ratios remained strong in the third quarter, increasing both quarterly and annually. CET 1 and leverage ratio improved year-on-year by 1.07 p.p. and 0.24 p.p., respectively. Moreover, LCR experienced a significant increase of 24.99 p.p. compared to 2Q23 and of 9.05 p.p. compared to 3Q22.
- ▶ Interest rates were influenced by the ECB's increase in the Eurozone. Denmark's National Bank (DNB) raised them, reaching a record high of 3.75% at the end of the third quarter of 2023.

# Banking sector: Finland

**In 3Q23, loans growth rates of the Finnish banking sector increased compared to 3Q22 whereas deposits growth rates decreased compared both to 3Q22 and 2Q23. The efficiency ratio improved year-on-year and outperformed the EU average. On the other hand, NPL and coverage ratios worsened compared both to 3Q22 and the previous quarter. All solvency ratios improved in the same period mentioned before.**

BANKING SECTOR CONTEXT 3Q23 (%)							
BUSINESS	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p.2Q23	Var.p.p.3Q22
TOTAL LOANS*	4.88	3.48	2.69	7.49	5.49	-2.01	0.61
TOTAL DEPOSITS*	-0.82	10.44	-5.57	-9.72	-18.52	-8.80	-17.70
LTD RATIO	70.54	80.34	77.33	82.59	91.32	8.73	20.78
EFFICIENCY							
EFFICIENCY RATIO	54.76	51.96	48.10	44.90	43.49	-1.41	-11.27
EU AVERAGE	61.00	60.65	59.17	56.18	55.09	-1.09	-5.91
RISK							
NPL RATIO	0.99	0.93	0.98	1.00	1.07	0.07	0.08
EU AVERAGE	1.76	1.80	1.77	1.81	1.81	0.00	0.06
COVERAGE RATIO	29.15	29.95	29.96	28.70	27.48	-1.22	-1.67
EU AVERAGE	44.07	43.49	43.64	42.93	42.55	-0.38	-1.52
SOLVENCY**							
CET1	16.94	17.30	17.12	17.50	17.85	0.35	0.91
LEVERAGE RATIO	5.39	5.66	5.62	5.70	5.85	0.15	0.45
LCR	163.68	176.68	174.17	172.00	176.35	4.35	12.66
ECB INTEREST RATE							
INTEREST RATE	0.50	2.50	3.50	4.00	4.50	0.50	4.00

\*The values for loans and deposits reflect their year-on-year growth rates.  
 \*\*CET1 ratio measured as fully-loaded and Leverage ratio as fully phased-in definition of Tier 1  
 Source: European Bank Authority (EBA)

- During 3Q23, the year-on-year growth rate for loans showed a slight improvement of 0.61 p.p. compared to 3Q22 but faced a downturn of 2.01 p.p. from the previous quarter. The growth rate for deposits decreased by 17.70 p.p. over the year and by 8.80 p.p. from the last quarter. There was also a notable increase of 20.78 p.p. in the LTD ratio compared to 3Q22.
- The efficiency ratio improved significantly year-on-year by 11.27 p.p., to a level of 43.49%, remaining better than the EU average (55.09%).
- The NPL ratio for 3Q23 was worse than the one for 3Q22, increasing by 0.08 p.p. but reporting a better NPL ratio (1.07%) than the European average (1.81%). As for the coverage ratio, it worsened by 1.67 p.p. compared to the third quarter of 2022, reaching 27.48%, significantly below the EU average of 42.55%.
- Regarding solvency, the CET1 improved compared both to 3Q22 and 2Q23, by 0.91 p.p. and 0.35 p.p. respectively. The leverage ratio improved annually by 0.45 p.p. and quarterly by 0.15 p.p. Moreover, LCR improved significantly year-on-year by 12.66 p.p. and by 4.35 p.p. compared to the previous quarter.
- After many years in which the interest rate was kept below 0%, since the second quarter of 2022, the ECB started raising interest rates to fight inflation, reaching 4.50% at the end of the third quarter of 2023.

# Banking sector: Norway

**In 3Q23 the Norwegian banking sector showed a decline in its y/y loans and deposits growth rates. Both the efficiency ratio and the NPL ratio increased in comparison to 3Q22 and were lower than the EU average. Coverage ratio improved both annually and quarterly. Solvency ratios improved in general terms compared to 3Q22 and the previous quarter, except for LCR which decreased both annually and quarterly.**

BANKING SECTOR CONTEXT 3Q23 (%)							
BUSINESS	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p.2Q23	Var.p.p.3Q22
TOTAL LOANS*	9.46	7.97	6.95	7.42	6.38	-1.04	-3.08
TOTAL DEPOSITS*	11.27	7.97	8.30	0.66	-1.49	-2.15	-12.76
LTD RATIO	78.14	81.87	79.58	81.19	82.66	1.47	4.52
EFICIENCY							
EFFICIENCY RATIO	40.09	41.38	37.35	37.31	36.85	-0.46	-3.23
EU AVERAGE	61.00	60.65	59.17	56.18	55.09	-1.09	-5.91
RISK							
NPL RATIO	1.09	1.17	0.96	0.96	0.90	-0.07	-0.19
EU AVERAGE	1.76	1.80	1.77	1.81	1.81	0.00	0.06
COVERAGE RATIO	24.35	24.82	26.06	25.30	26.38	1.08	2.03
EU AVERAGE	44.07	43.49	43.64	42.93	42.55	-0.38	-1.52
SOLVENCY**							
CET1	17.29	18.24	18.07	18.07	18.37	0.30	1.08
LEVERAGE RATIO	6.24	6.84	6.41	6.47	6.49	0.03	0.26
LCR	155.71	153.40	151.02	157.46	146.10	-11.36	-9.62
NB INTEREST RATE							
INTEREST RATE	2.25	2.75	3.00	3.75	4.50	0.75	2.25

\*The values for loans and deposits reflect their year-on-year growth rates.  
 \*\*CET1 ratio measured as fully-loaded and Leverage ratio as fully phased-in definition of Tier 1  
 Source: Norges Bank.

- ▶ The year-on-year growth rates for loans and deposits decreased by 3.08 p.p. and 12.76 p.p., respectively. The LTD ratio increased year-on-year by 4.52 p.p. and by 1.47 p.p. compared to 2Q23, reaching a rate of 82.66% in the third quarter of 2023.
- ▶ The efficiency ratio of the Norwegian banking sector improved by 3.23 p.p. compared to the same quarter of 2022 reaching 36.85%, being lower than the EU average (55.09%).
- ▶ The NPL ratio improved by 0.19 p.p. in 3Q23 in comparison to the same quarter of the previous year and by 0.07 p.p. versus the previous quarter, reaching 0.90%, below the EU average (1.81%). Moreover, the coverage ratios for Norwegian banks improved as compared to 3Q22 and 2Q23, but they were worse positioned compared to the European average (26.38% vs 42.55%).
- ▶ Solvency improved in general terms compared to 3Q22 and 2Q23, except for LCR. CET1 increased by 1.08 p.p., the leverage ratio improved by 0.26 p.p. and LCR worsened by 9.62 p.p., all compared to 3Q22.
- ▶ In response to the international situation, Norges Bank (NB) raised interest rates to control rising prices, reaching 4.50% in the third quarter of 2023, which was 2.25 p.p. higher than in 3Q22.



# Banking sector: Sweden

**During the third quarter of 2023, the year-on-year growth rates of loans and deposits for the Swedish banking sector decreased. Meanwhile, the efficiency ratio improved compared both to 3Q22 and 2Q23. The coverage ratio decreased both annually and quarterly, whereas the solvency ratios improved compared to 3Q22, but worsened compared to 2Q23, except for Leverage ratio.**

BANKING SECTOR CONTEXT 3Q23 (%)							
BUSINESS	3Q22	4Q22	1Q23	2Q23	3Q23	Var. p.p.2Q23	Var.p.p.3Q22
TOTAL LOANS*	13.13	10.66	1.10	0.76	-4.66	-5.41	-17.79
TOTAL DEPOSITS*	4.97	2.89	-1.14	-2.91	-3.04	-0.13	-8.01
LTD RATIO	168.26	174.88	175.25	176.04	176.25	0.21	7.99
EFFICIENCY							
EFFICIENCY RATIO	45.29	0.00	38.25	40.01	39.11	-0.90	-6.18
EU AVERAGE	61.00	60.65	59.17	56.18	55.09	-1.09	-5.91
RISK							
NPL RATIO	0.25	0.23	0.23	0.24	0.26	0.02	0.01
EU AVERAGE	1.76	1.80	1.77	1.81	1.81	0.00	0.06
COVERAGE RATIO	39.77	40.06	37.31	34.76	31.07	-3.69	-8.70
EU AVERAGE	44.07	43.49	43.64	42.93	42.55	-0.38	-1.52
SOLVENCY**							
CET1	18.49	18.72	18.79	19.03	18.81	-0.21	0.33
LEVERAGE RATIO	4.82	5.28	5.09	5.08	5.23	0.15	0.41
LCR	145.00	164.52	158.01	162.24	155.27	-6.98	10.26
SVERIGES RIKSBANK							
INTEREST RATE	1.75	2.50	3.00	3.75	4.00	0.25	2.25

\*Note: The values for loans and deposits reflect their year-on-year growth rates.  
\*\*CET1 ratio measured as fully-loaded and Leverage ratio as fully phased-in definition of Tier 1  
Source: European Bank Authority (EBA) and Statistikdatabasen.

- During the third quarter of 2023, loans growth rate decreased by 5.41 p.p. quarterly and by 17.79 p.p. annually, while deposits y/y growth rate decreased by 0.13 p.p. compared to 2Q23 and by 8.01 p.p. compared to 3Q22. LTD ratio increased by 7.99 p.p. annually and by 0.21 p.p. quarterly, reaching 176.25%.
- The efficiency ratio improved by 6.18 p.p. compared to 3Q22, reaching 39.11%. Compared to the European Union average, the Swedish banking sector was well-positioned in terms of efficiency, as the EU average for the third quarter was 55.09%.
- The NPL ratio slightly increased in comparison to the previous periods. However, Swedish banks were one of the best performers in the European Union, as there was a huge difference between Sweden and the EU average (0.26% vs 1.81%). The coverage ratio worsened by 8.70 p.p. year-on-year to 31.07%, remaining below the EU average of 42.55%.
- Regarding the solvency ratios, there was a general improvement in the Swedish banking sector compared to the same period of the previous year, while in comparison to the previous quarter of the same year the solvency ratios decreased, except for leverage ratio. CET1 decreased by 0.21 p.p. and increased by 0.33 p.p. compared to 2Q23 and 3Q22, respectively. The leverage ratio improved annually by 0.41 p.p. and by 0.15 p.p. quarterly. Finally, the LCR ratio improved annually by 10.26 p.p. but decreased quarterly by 6.98 p.p.
- The Sveriges Riksbank raised interest rates to control inflation. By the end of the third quarter of 2023, the interest rate was 4.00%, representing a year-on-year increase of 2.25 p.p.

## 4. Glossary

- ▶ **BUSINESS VOLUME:** The business volume is the set of activities that generate income for a bank, formed by financing (loans) plus customer resources (deposits).
- ▶ **CET 1:** Common Equity Tier 1 capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
- ▶ **COVERAGE RATIO:** It is a ratio that informs us about the protection that financial entities have against the unpaid loans of their clients. It is represented as the total provisions that the entity has over the total doubtful loans.
- ▶ **CPI:** The consumer price index is an indicator that measures the variation of prices of a basket of goods and services in a specific location during a certain period of time.
- ▶ **EFFICIENCY RATIO:** It is a ratio that measures the productivity of an entity. It is the result of the quotient between operating expenses and gross margin. In other words, it relates the income obtained with the expenses necessary for its achievement. As a conclusion, an entity will be more efficient the lower its efficiency ratio.
- ▶ **GDP:** Gross Domestic Product (GDP) is an economic indicator that reflects the monetary value of all final goods and services produced by a territory in a certain period of time. It is used to measure the wealth generated by a country.
- ▶ **GM:** Gross Margin.
- ▶ **GM/ATAs:** Gross Margin / Average Total Assets. Gross margin is composed of the set of revenues generated by a financial entity in its activity.
- ▶ **IMF:** International Monetary Fund.
- ▶ **LEVERAGE RATIO:** The Tier 1 leverage ratio measures a bank's core capital relative to its total assets. The numerator consists of the most stable and liquid capital, as well as the most effective at absorbing losses during a financial crisis or recession. The denominator is a bank's total exposures, which include its consolidated assets, derivative exposures and certain off-balance sheet exposures.
- ▶ **LCR (Liquidity Coverage Ratio):** this ratio measures a bank's liquidity. It is calculated as the institution total liquid assets divided by its short-term obligations.
- ▶ **LTD RATIO:** The loan-to-deposit ratio (LDR) is used to evaluate a bank's liquidity by comparing the total loans of a bank with the total deposits during the same period.
- ▶ **NPL RATIO:** The non-performing loans ratio is an indicator used to measure the volume of operations that have been considered non-performing, in relation to the volume of loans and credits granted by said entity.
- ▶ **OE:** Operating Expenses.
- ▶ **OE/ATAs:** Operating Expenses / Average Total Assets. Operating expenses are those that an entity incurs during the exercise of its activity.
- ▶ **OECD:** Organization for Economic Cooperation and Development.
- ▶ **p.p.:** percentage points.
- ▶ **ROA:** An indicator that measures the profitability of a company in relation to its total assets. It indicates the return that is being obtained for its assets. It is calculated as the quotient between profit and total assets. The profit used is that obtained before taxes and interests.
- ▶ **ROE:** Financial profitability is also known as return on equity, which relates the net profits obtained in a given investment operation with the own resources.

## 5. Appendix

### MACROECONOMIC OVERVIEW

- ▶ BBVA Research:  
<http://www.bbvaresearch.com/KETD/ketd/eps/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/>
- ▶ 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/>
- ▶ World Bank, WB:  
<https://www.worldbank.org/>

### FINANCIAL SECTOR

- ▶ Bank of Finland:  
<https://www.suomenpankki.fi/en/>
- ▶ Danmarks Nationalbank:  
<https://www.nationalbanken.dk/en/Pages/Default.aspx>
- ▶ European Central Bank:  
<http://www.ecb.int/ecb/html/index.es.html>
- ▶ Norges Bank:  
<https://www.norges-bank.no/en/>
- ▶ Sveriges Riksbank:  
<https://www.riksbank.se/en-gb/>

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