



Nordic Market Scenarios

Imagining the Nordic markets
in a changed global landscape

In cooperation with

/ NORDIC WEST OFFICE

Danske Bank

Introduction

First Covid-19, then the war in Ukraine. This project started a long time before the Russian invasion. The idea was to imagine what the Nordic region would look like as a business environment after the pandemic is over. When the war started we thought that our scenarios had become obsolete. Soon we noticed that this was not the case. The war simply made the differences between different scenarios more accentuated.

The changes brought forward by the pandemic and recent geopolitical rivalries will have a great impact on the future of globalization and capitalism, the functionality of the European Union, and what shape the Nordic region might take as a consequence.

This report details findings from a scenario exercise conducted by Danske Bank and Nordic West Office in collaboration with Nordic think tanks, companies and NGOs to reimagine the Nordic model and the likely scenarios the region faces by 2030 in a changed, post-pandemic world.

Scenario planning equips us to examine data and trends in order to anticipate developments and probable outcomes. Scenarios enable us to imagine and prepare for possible risks and opportunities the future may hold. The purpose is to highlight large-scale forces that can push the future in different directions. This equips us with new perspectives in order to rethink previously fixed ideas, reimagine future pathways and reconsider the choices we face.

Our report begins by framing the potential high-level directions the world might take in light of shifting priorities and geopolitics. We then present a pan-European view by identifying five emerging trends that have surfaced during the pandemic as indicators for change across societal, political and business realms. Finally, we immerse into the four scenarios for the Nordic model by exploring the key themes and potential impact of each.

Many Nordic companies, think tanks and other organizations have co-created these scenarios over the past two years. First, five Nordic think tanks analyzed the political and societal forces shaping our future, especially the future of the Nordic model and the contours of Nordic cooperation. This phase was

driven by Magma, a Helsinki-based think tank and funded by Konstsamfundet. Second, a group of Nordic companies looked at how these forces influence the Nordic region as a market, work which was driven by Danske Bank. Nordic West Office has acted as the project facilitator from the beginning to the end. This report was written by Jennifer Helfer Paavola. The list of participating companies and think tanks can be found at the end of the report.

We are hopeful that this report will provide unique insights and prove to be an inspirational tool for businesses and organizations as they explore how to prepare for the future.

Helsinki, 28th February 2022

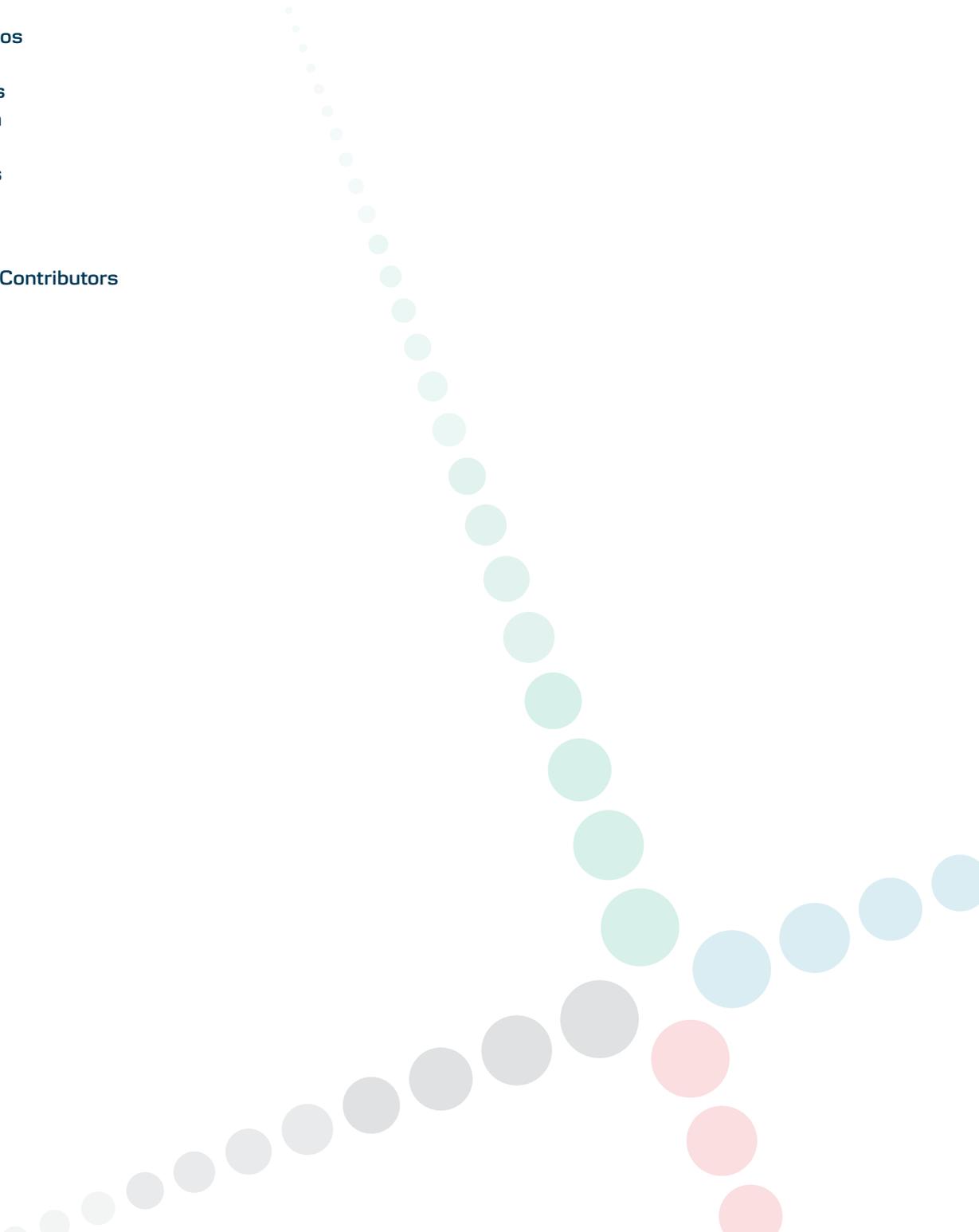
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Note:

Scenarios are not forecasts but possible future worlds, which have been created as a result of discussions, interviews and workshops. They enable us to think systematically about the future, but should not be used as a basis for decision-making. With these scenarios, Danske Bank and Nordic West Office want to promote discussion about the future of the Nordic countries from the perspective of businesses and investors. The views presented in the report do not necessarily reflect the views of Danske Bank, Nordic West Office or the other participating companies and organizations.

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Orienting in a changed world

The world is at a historic crossroads. In addition to the challenge of climate change and the long shadow of the Covid-19 pandemic, we are facing geopolitical crises of grave magnitude. The war in Ukraine has ended illusions of peace in Europe. Tensions between the US and China continue to reverberate across the world. Supply chains are disturbed. Energy prices are high. People are restless.

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De-globalization feels more present than before the pandemic, exemplified by the collective inability to secure a fair supply of vaccinations globally and an overreliance on rigid, self-interested health and pharmaceutical sectors. Covid-19, the climate crisis and growing geopolitical tensions have had a tremendous impact on global supply chains, hinting at an end of globalization. Political polarization and disinformation have fueled nationalism and threaten the ideals of a globalized, free market economy.

Conversely, while the pandemic has forced countries to reduce interdependencies, the post-pandemic recovery presents a world-changing new opportunity for enhanced global co-operation focused on balancing growth, equality and human rights – all of which have emerged as strong societal values during the last few years.

The path forward is not yet clear. We could shift back into a globalized, market-driven world or countries could maintain the inward focus resulting from the pandemic and become more nationalistic and more heavily regulated. On the global landscape, there are several different, interconnected ways the scenarios might unfold including these four possible future worlds:

1. Government-Driven & Deglobalized World

Following a long pandemic the global economy is slow and stagnant. The impact of the geopolitical disconnect is sharp, leading to different recoveries. A prolonged recession and stagflation allows country-first manifestos to gain in popularity around the world along with heavy-handed, top-down regulation.

2. Deglobalized & Market-Driven World

The world recovers quicker than expected after the pandemic including overall strong global growth with varying trajectories across countries and regions. The lack of strong global co-ordination continues after the pandemic, and the prevailing market driven economy means that non-state actors play a stronger role in defining cooperation.

3. Globalized & Government-Driven World

The recovery after the pandemic is gradual yet steady. While global long-term growth declines, societies prove resilient. Rules and processes regulate global collaboration.

4. Globalized & Market-Driven World

The post-pandemic global economic recovery proves fast, with significant regional differences coming into focus. The world is forever changed, as there is a global movement towards a greener, more sustainable growth. SDGs are integrated with global trade standards and the relations between the driving forces in the world are good.



Europe towards 2030: Five post-pandemic drivers of change

Will Europe be characterized by integration or fragmentation?
Will the continent's economy be driven by regulation or market forces?

The reality that we are facing multiple pathways to the future is omnipresent in Europe today. Historically, crises have driven slow progress for Europe and now many hope that this is a fresh opportunity for faster progress this time.

Progress can take many forms depending on if Europe becomes more fragmented and nationalistic or if it evolves into a more integrated and functioning region. The ensuing scenarios could also become regulation-centric with a strong role of the state and the European Union, or embrace deregulation and become more market-driven.

The success and growth of the Nordic market, as a region and especially for its mostly small countries, is highly reliant on having the ability to export into Europe and ideally beyond. In practical terms, this means that the EU must have favorable regulation for its member countries, and also provide a cohesive unit in order to hold its weight amongst the behemoths of China and the United States. If we evolve to a regulation-centric orientation, it is critical that governments embrace agility and innovation, rather than presenting hurdles and layers of regulation which would restrict the market and inhibit the growth of Nordic companies.

The pandemic has brought forth a myriad of new drivers of change which will prove to have a high impact on the future of Europe. The scenarios in this report consider the following as some of Europe's most pressing and emerging drivers for change:

1. The authoritarian leadership packaged as "protecting our citizens during a crisis" could lead to a fragmented Europe of nationalist countries, or worse, a decline in human rights and the normalization of the far right. The closing of national borders during the pandemic has fed into the mindset of "otherness" and the symbolism of protecting national interests will further fuel the nationalist ethos and greatly influence future attitudes and decisions about migration and immigration. While the income gap continues to widen, nationalism could become more rampant. Covid is already casting its long shadow in countries such as Poland and Hungary, where we see the far right asserting itself in the areas of equality and human rights. However, even centrist and leftist governments such as Scotland are taking on an insular, protectionist narrative which could prove a slippery slope toward European fragmentation. Soft totalitarianism may be here to stay.
2. Millennial and GenZ citizens increasingly assert values of inclusivity and equality. They care most about the issues which impact the greater world such as the climate and social justice and appear to be more in favor of government regulation than previous generations. Given the shrinking size of the working-age population and the growing number of older and very old people in society, Europe is reliant on equipping this generation for success which requires that we understand their values and are open to reshaping a society reflective of them. It is worth considering if their success would be fortified in an environment that is regulation or market-driven and if a common language would have a greater benefit.

3. The symbiosis of the economy, energy and sustainability also presents multiple scenarios. European fragmentation could tip a return to deregulation and rampant catch-up consumption with little concern for the environmental considerations. Conversely, a green transition in Europe could result from either regulation and European government co-operation, or a market-driven model, whereby renewables and new technologies are embraced and attract high levels of investment.
4. Another recent indicator is the role of Europe in the global battle for digital leadership. Many consider Europe as being late to the digital landscape. However, the current shared vision which prioritizes fairness and security could position Europe to set the global standards on digitalization and become the home to the next generation of data-centric decacorns. It is specifically this opportunity that could propel Europe to a leadership position in the 21st century digital economy. Striking the right balance of regulation and free-market economics will ensure a strong place in the global economy. This will require a joined-up approach by European and national decision makers which moves with speed.
5. Perhaps most complex is the need for updated and modernized social, educational and health systems in virtually every European country. This has been exemplified during the pandemic, which has pushed most European health systems to the brink of collapse and calling into question the need for privatization. The coming years will require a careful balance of national systems reform and realigned budget allocations, both of which are dependent on and influenced by the different scenarios Europe is facing as the citizens' faith in public institutions continues to wane.

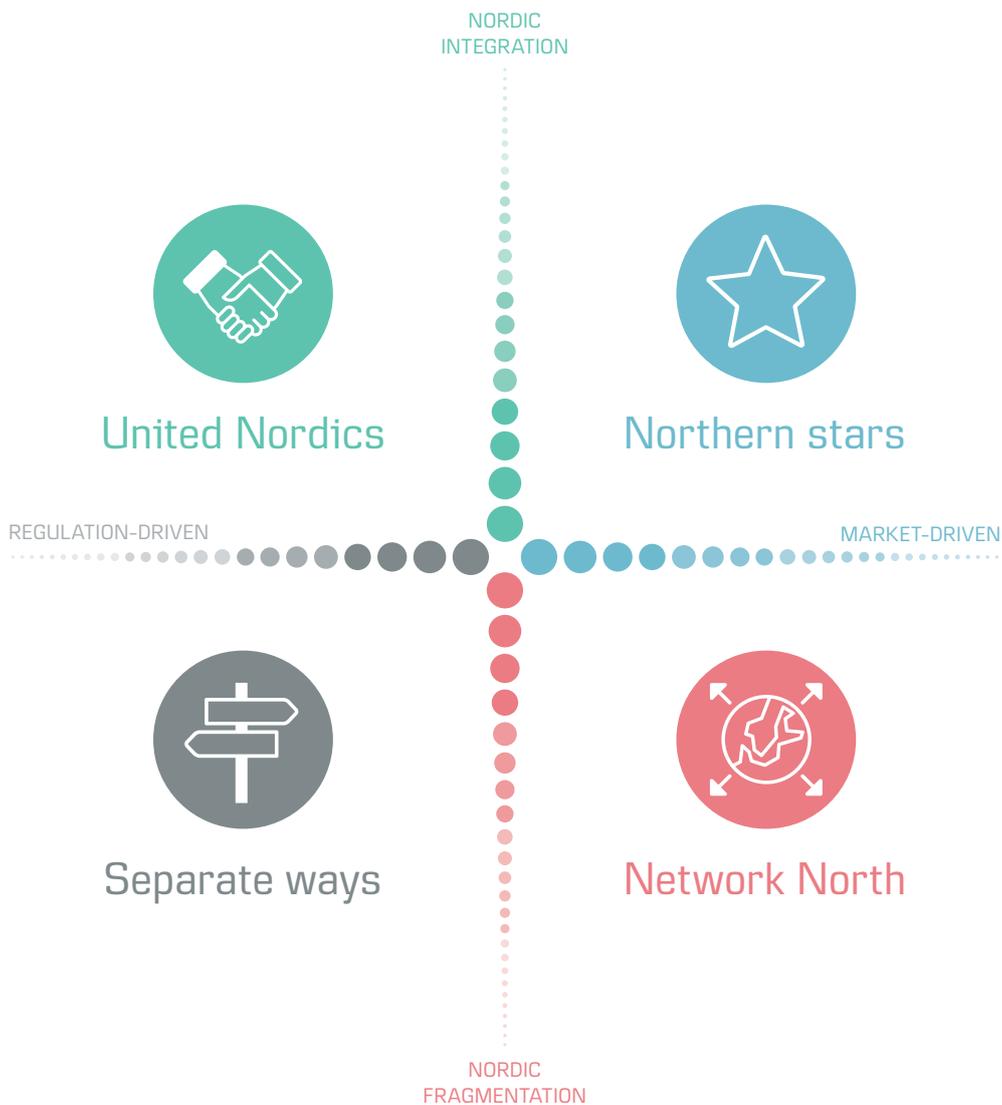


Nordic Scenarios

The following four scenarios present some of the potential implications on market development. Historically, the Nordics have had many family-like formations (and disagreements). As we look toward the future, the level of Nordic codependency and cooperation will dictate how our family becomes fit for a better future.

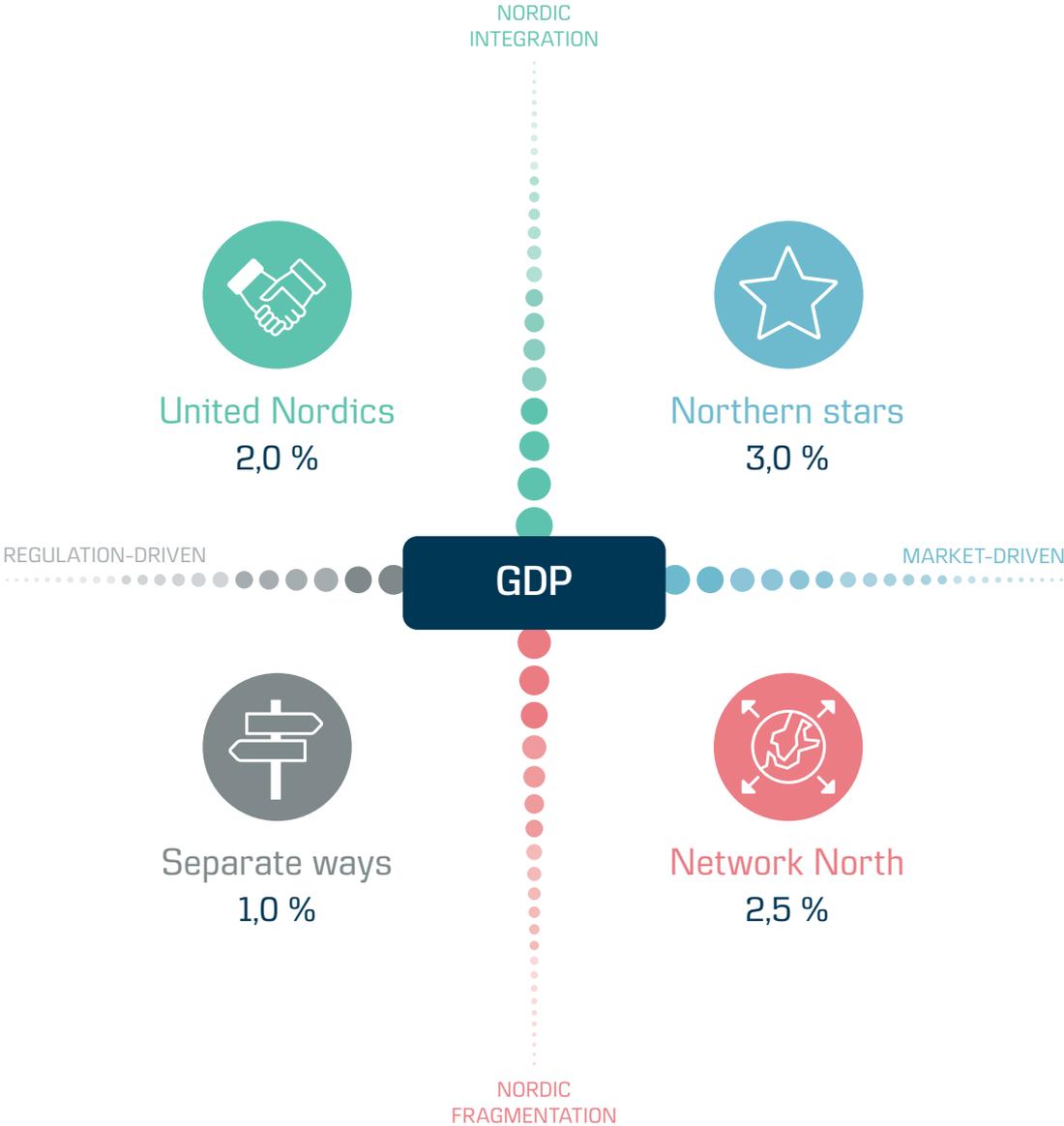
The four scenarios are different in terms of their logic, values, key drivers, and economic development. From the point-of-view of Nordic companies, they offer drastically different business environments. In terms of growth, Northern Stars is the best scenario, while Separate Ways is the most challenging. United Nordics is viewed as the baseline scenario, i.e. the reasonable starting point for comparison purposes.

The scenarios are built on two key variables. The first is Nordic Integration/Globalization versus Nordic Fragmentation / Deglobalization which forms the y-axis. The x-axis ranges from a Market-Driven orientation to one driven by Regulation.



GDP growth

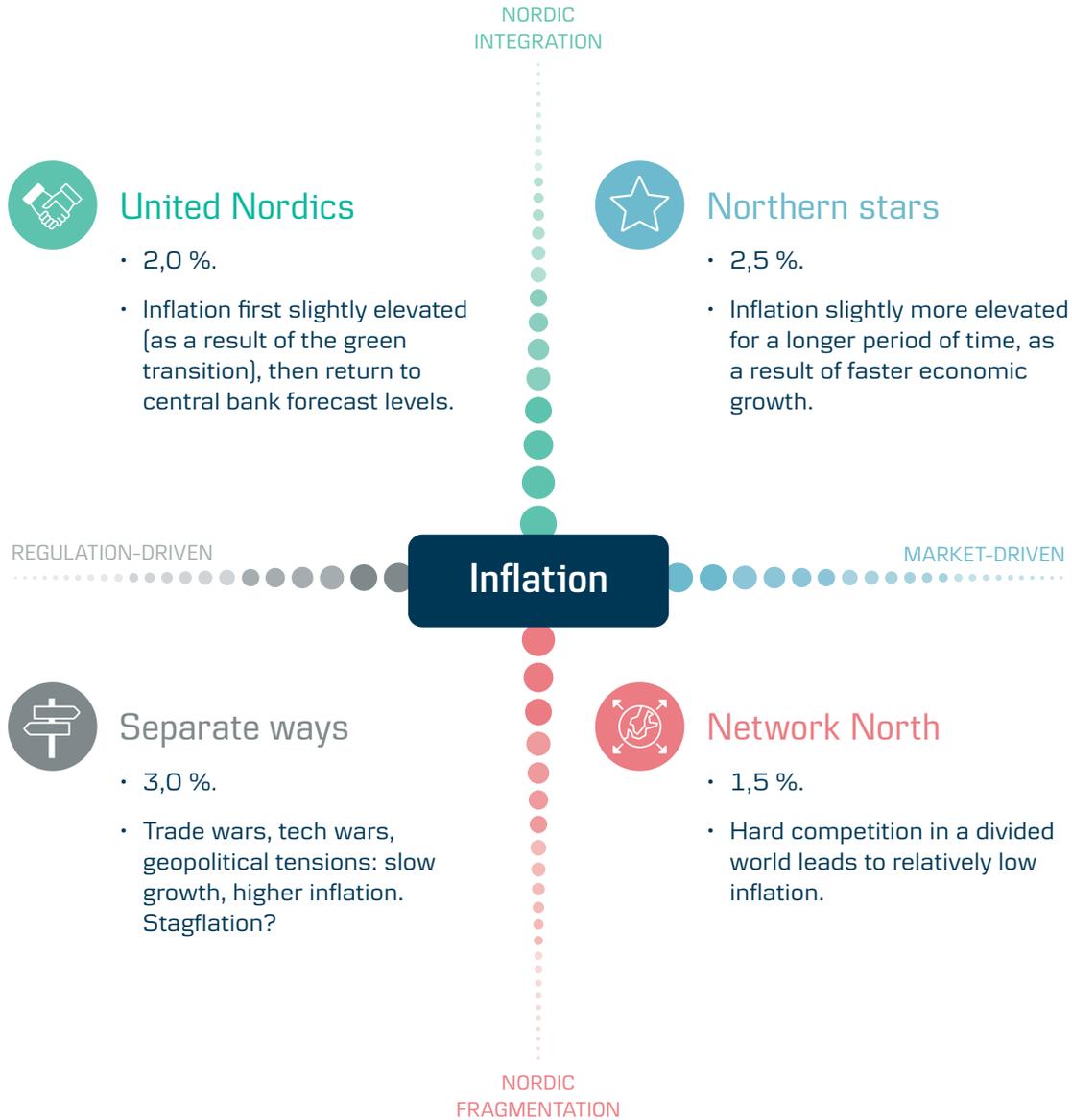
Here are the average GDP growth rates for the Nordic countries for the years 2023 to 2030.



Inflation and interest rates

Inflation and interest rates also vary greatly from one scenario to the next. As illustrated in the scenario grid below,

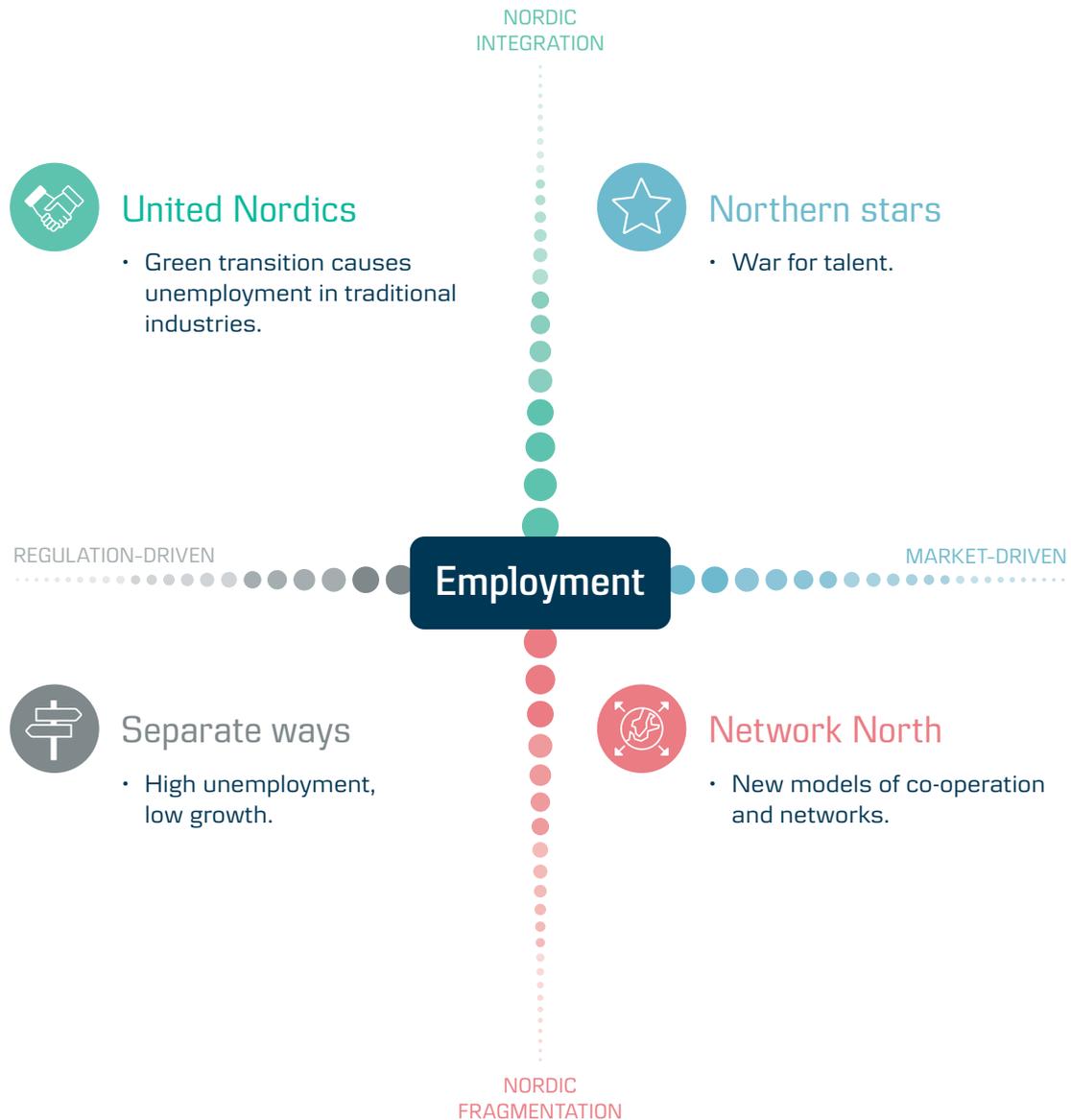
the highest inflation rates can be found in the Separate Ways scenario, whereas the Network North scenario has the lowest inflation rate.



Employment

In terms of employment, the scenarios offer dramatically different future worlds. In the Northern Stars scenario, there's a veritable war for talent across the Nordic market, while Separate Ways sees high unemployment and low growth. An explaining factor here is that in Northern Stars, the European and international labor markets are efficient, whereas in Separate Ways they do not function.

In Network North, remote working across national borders becomes the new norm, obliterating the need for large-scale immigration. Trade unions are strongest in the United Nordics scenario.



Separate Ways

Every country for itself





Separate Ways

Every country for itself

This scenario takes place in the backdrop of a declining European Union in a deglobalized world. The War in Ukraine leads to a major interruption in Russian gas exports to Europe. This hits Italy and Germany in particular. Energy prices skyrocket. Europe is rocked by stagflation: a combination of recession, high inflation, and high unemployment. This plunges the continent into a new financial crisis.

After conquering Ukraine, Russia continues to threaten the West with serious consequences, should anyone interfere in its sphere of influence. The EU experiences a lack of cooperation and essentially breaks down, which has a grave impact on sustainability, trade and immigration. A credible national defense is the key in this scenario. There is no meaningful Nordic defense cooperation. Finland especially puts emphasis on maintaining a strong defense. Norway and Denmark trust NATO, Sweden increases defense spending, but decides not to join NATO. The same applies to Finland. Fault-lines begin to emerge, dividing Europe into a wealthy North and a poor South. Populist parties gain support across Europe, fuelled by the heated public discourse regarding immigration.

While the goals and needs of the different Nordic countries are similar, they are positioned and experienced as polarizing interests, political agendas and values; entrenching and perpetuating the Nordic fragmentation for future generations. The ethos centers on the strong role of the state and the need for heavy regulation to bolster the declining social and economic environments. Heads of state no longer value nor participate at the meetings of the Nordic Council of Ministers and there is little interest in advancing Nordic co-operation. As a result, Nordic countries compete against each other for investment and attention. National security becomes the top priority with policies, budget allocation and media attention focused there.

National identities are deeply valued and there isn't a shared feeling of "being Nordic." This country-first mindset echoes across the region and dismantles the former Nordic shared cultural values and societal model. Left with little choice, businesses and markets turn inward, with the smaller Nordic countries experiencing the most difficulty. While the countries struggle with increasing public debt, social investment prior-

itizes preserving national healthcare and addressing critical needs, such as mental health and early education.

The Business & Market Landscape

Nordic country democracies operate free from foreign influence and National governments favor local development and investments, benefiting companies with all of their assets within a country. The political emphasis on national security and self sufficiency benefits national supply chains, especially in the food sector. Consumers have greater national pride and favor the most local brands.

It proves easier for businesses to make longer-term plans and forecasts in order to optimize their business for the local operating environment. Companies with all assets in the country benefit the most in this scenario. However, the losses from redacted international exports place the large Nordic multinational companies in challenging times. There is less investment for international growth and fewer opportunities for wealth-creating international acquisitions, mergers and exits.

Year	Finland	Norway	Denmark	Sweden
2024	0,3	1,5	1,1	1,3
2025	0,3	1,0	1,1	1,3
2026	0,3	1,0	1,0	1,3
2027	0,3	1,0	1,0	1,3
2028	0,3	1,0	1,0	1,3
2029	0,3	1,0	1,0	1,3
2030	0,3	1,0	1,0	1,3

GDP growth (in %) per Nordic country in the Separate Ways scenario. This table illustrates the forecast GDP growth for the Nordic countries in the Separate Ways scenario. The logic here is that, because of its geopolitical exposure and trade relationship with Russia, Finland's GDP numbers are lower than those of its Nordic neighbors. Norway is also hurting because of the decreasing demand for oil and gas. On the other hand, Sweden is doing relatively well in this scenario.



Separate Ways

Data is stored within borders, which leads to national clouds and data autonomy. Global technology companies from the United States and China dominate with little respect or understanding of local regulations, instead choosing to interpret and attempt to influence local policies where they are already operating. Smaller Nordic tech players find it impossible to compete in multiple markets.

Economic indicator	Description
Inflation	3,0 %. Tensions leading to slow growth, higher inflation. Stagflation?
Interest rates	1,0 %. Trade wars, geopolitical tensions, high prices, pressure to keep interest rates low.
Real Interest rates < 2030	-0,2 %
Employment	High unemployment, low growth. EU labour market doesn't work.

Key economic indicators in the Separate Ways scenario.

Recruiting skilled international talent becomes nearly impossible and lower-paid worker availability also wanes. Countries dramatically reduce immigration and invest in preventing the “brain drain” by bolstering university programs. This scenario results in a like-minded, inward-facing workforce with an obvious negative impact on innovation and creativity.

While global cooperation regarding climate change ceases to exist, local governments focus on climate adaptation rather than mitigation. The energy sector is hit with diminished international trade and the opportunities for domestic production and national power generation are prioritized. Fossils fuels rule and hydrogen has another false start. There is a glimmer of hope as some of the wealthier Nordic countries receive healthy national subsidies which favor local solutions such as nuclear energy and biorefineries, although prices fluctuate based on supply issues. Regulation results in a system by which energy prices might appear lower, while taxes are higher.

Internationally, the Nordic brand loses authenticity, while individual countries become known for their specific tourist destinations, national character and some business success stories.



The Nordic region is fragmented, with each country focusing on heavy regulation to bolster the declining social and economic environments.

Network North

A region of solo competitors with high hopes,
but facing grim realities





Network North

A region of solo competitors with high hopes, but facing grim realities

In this scenario we find ourselves in a deglobalized world with a strong market orientation and complex environmental problems. The European Union is a loose network of countries with similar values, primarily based on trade, but lacking joined-up political leadership. Hopes for the golden age of Nordic coordination and alignment cease. As nation-states become less meaningful, international organizations such as the EU and NATO become less relevant. The USA and Great Britain increase security cooperation with the Nordic and Baltic states.

Networks of like-minded people and greater partnerships between cities become more important than the Nordic identity or the nation-state. Not surprisingly, the political cooperation between Nordic countries is quite haphazard and lacks impact. The Nordic Council of Ministers publishes policy papers with next to no impact.

The Nordic market is challenged by market forces, which establishes a new environment of sudden major changes to which only the very dynamic can respond and pivot. Tough market competition in a fragmented region has shifted the powerbase to enlightened elites and business leaders. A generational divide occurs between older leaders, who continue their inconsequential co-operation, and younger generations, who are more cosmopolitan, ready to embrace change, and hold international aspirations.

The markets bring some economic stability which supports the welfare state, albeit with more influence by the business community. A high percentage of citizens become diametrically opposed to the elites and growth-minded business leaders, believing them to be contrary to national values and priorities. This social divide, between young and old, business and citizens, establishes a feeling of flux in a Nordics that continues to grapple with its identity and role as a society.

Putin’s illusion of a new greater Russia consisting of Ukraine, Belarus and Russia did not materialize. Instead, Ukraine is divided between the East and the West. The Eastern part is controlled by Russia, and the Western part seeks a closer alignment with the West. European and U.S. companies assist in the rebuilding of Western Ukraine. Russia can no longer

use its energy sources as a weapon, since the U.S. started exporting shale gas to Europe. After initial difficulties, Germany and Italy are able to cover the loss of Russian gas. To everyone’s surprise, Germany changes its mind concerning nuclear power.

The Business & Market Landscape

The prevailing market-driven economy means that non-state actors play a stronger role in defining the reality of Nordic co-operation, hence the business leaders become the pillars of society and influence regulation which was previously out of their domain. There are more international competitors entering the markets and also more opportunities for export, though with more complex regulation and taxation.

Employment-boosting investment is prioritized and the employment opportunities are good. However, young citizens look toward foreign markets experiencing hyper growth, resulting in a brain drain of talent across the region.

The following table illustrates the forecast GDP growth for the Nordic countries in the Network North scenario.

Year	Finland	Norway	Denmark	Sweden
2024	1,6	2,0	2,0	2,3
2025	1,6	2,0	2,0	2,3
2026	2,0	2,3	2,3	2,5
2027	2,0	2,3	2,3	2,5
2028	2,2	2,4	2,4	2,7
2029	2,2	2,4	2,4	2,7
2030	2,2	2,4	2,4	2,7

GDP growth (in %) per Nordic country in the Network North scenario. The logic here is that there are winners and losers; competition is tough in a market-driven world, where nation-states have less power. Instead, cities and corporation groups play a more important role. Growth is initially slower than in the United Nordics baseline scenario, but increases gradually.



Network North

Energy affordability trumps sustainability and energy security; the green transition stalls as a result. The Nordic companies that previously invested in developing sustainable products and manufacturing practices have difficulties competing in this new age of price wars. Trade with Russia increases without restrictions and there is a boom for the Norwegian oil business. Direct heating is replaced by heat pumps which increases national power supply.

State financing and incentives for start-ups decline, so new technology mimics the decentralized network ethos toward innovations such as crypto currencies and Metaverse products. Venture capital goes toward high-growth companies, regardless of the purpose or impact on SDGs.

Internationally, the Nordic brand centers on legacy design and lifestyle brands.

Economic indicator	Description
Inflation	1,5 %. Hard competition in a divided world leads to relatively low inflation.
Interest rates	1,0 %. Central banks maintain a light monetary policy.
Real Interest rates < 2030	0,5 %
Employment	New models of co-operation and networks, remote work across borders.

Key economic indicators in the Network North scenario.



Networks of like-minded people and greater partnerships between businesses and cities become more important than the Nordic identity or the nation-state.

United Nordics

A family in a globalized world





United Nordics

A strong Nordic family in a federal Europe

In this scenario there is top-down political alignment within the European Union. The Nordic countries have a strong common identity, and a strong voice within the European Union. They use the enhanced status to influence EU regulation and policies.

Russia's invasion of Ukraine leads to strengthened transatlantic relations. The EU and NATO cooperate closely: NATO is responsible for collective defense, while the EU is responsible for ensuring economic and political integration. There is a new impetus towards a more federal EU. Finland and Sweden join NATO and increase defense cooperation with Denmark and Norway. A New Nordic Treaty gives the Nordic Council of Ministers a role in coordinating EU policies, and the implementation of EU regulations across the Nordic region.

Nordic cooperation is rooted in an adherence to rules and a shared belief in common societal values. The Nordics emerge as a conjoined region with cultural and values-based alignment. Nordic citizens identify with a strong Nordic identity and sense of belonging with shared interests and political objectives.

Across the Nordics, the government manifesto is to build strong, resilient societies, underpinned by regulation that guides market development and expanded cooperation. The goal of establishing a new 2.0 welfare state to safeguard future generations is now mission critical, with the green agenda an integral part of this goal. The bold moves by governments to reform dysfunctional systems inspires older European countries. There is also investment into education and financing for start-ups by innovation savvy governments that see the need for entrepreneurs to keep the region on the global map.

The Business & Market Landscape

The Nordics hold a common value that the role of business is to safeguard society. It proves important for big companies to be well-connected politically. Investment leans toward compa-

nies with greater purpose including those that solve societal challenges, adhere to ESG regulations and operate in business areas that are approved by political decision-makers. There are also greater opportunities for public- and private-sector collaboration.

Nordic citizenship and coordinated Nordic regulation provides more ease for businesses to expand and cooperate within the region, however tax burdens are increased and the environmental legislation has a negative impact on manufacturing and heavy industry. Labor-based immigration is boosted within Europe and there is lots of movement of Nordic workers within the region.

The following table illustrates the forecast GDP growth for the Nordic countries in the United Nordics scenario.

Year	Finland	Norway	Denmark	Sweden
2024	1,3	2,0	1,6	1,8
2025	1,3	1,5	1,6	1,8
2026	1,3	1,5	1,5	1,8
2027	1,3	1,5	1,5	1,8
2028	1,3	1,5	1,5	1,8
2029	1,3	1,5	1,5	1,8
2030	1,3	1,5	1,5	1,8

GDP growth (in %) per Nordic country in the United Nordics scenario. The logic here is that, despite a high degree of co-operation between the Nordic countries, there's only average productivity growth due to a high degree of regulation, and trade barriers between Asia, Europe, and the United States. Technological diffusion is slower compared to Northern Stars. In Finland, the supply of labor begins to decrease, contributing to lower GDP scores.



United Nordics

Governments begin to utilize the market capabilities and public procurement becomes a large force. Cities and municipalities have greater influence, especially when they take green values into account. Data-centric technological solutions that support healthcare reform gain traction. Advancements in AI give governments enhanced ability to regulate markets.

Economic indicator	Description
Inflation	2,0 %. Inflation first slightly elevated (as a result of the green transition), then return to central bank forecast levels.
Interest rates	2,0 %. Elevated interest rates, partly as a result of the green transition.
Real Interest rates < 2030	0,0 %
Employment	Good workforce availability within EU, moderate work-based immigration.

Key economic indicators in the United Nordics scenario.

Technology becomes heavily regulated and taxed across the world and digital content comes under greater scrutiny and must comply with GDPR and increased ethics standards in the United States. Because this scenario relies on cooperative regulation in an integrated Nordics, wider regional standardization leads to opportunities for fintech and data transformation solutions.

Regulation shows the path toward a slow but steady greener future. The EU Green Deal and Europe’s industrial policies favor emission abatement and green finance becomes a strictly regulated instrument. Nordic regulation drives the gradual green transition and, because the Nordics had a head start pre pandemic, the region becomes a forerunner in driving the green transition within the EU. Regional Nordic companies that are adaptive to the regulatory environment have sufficient collective market power to expand to the global market.

In the race to decarbonize, new opportunities arise for Nordic companies to provide the EU with sustainable solutions. This evolves to bigger energy investments in offshore wind, nuclear and carbon capture and storage solutions. There is also room for new developments, particularly in the areas of battery production, developing new forms of fertilizers and green fuels.

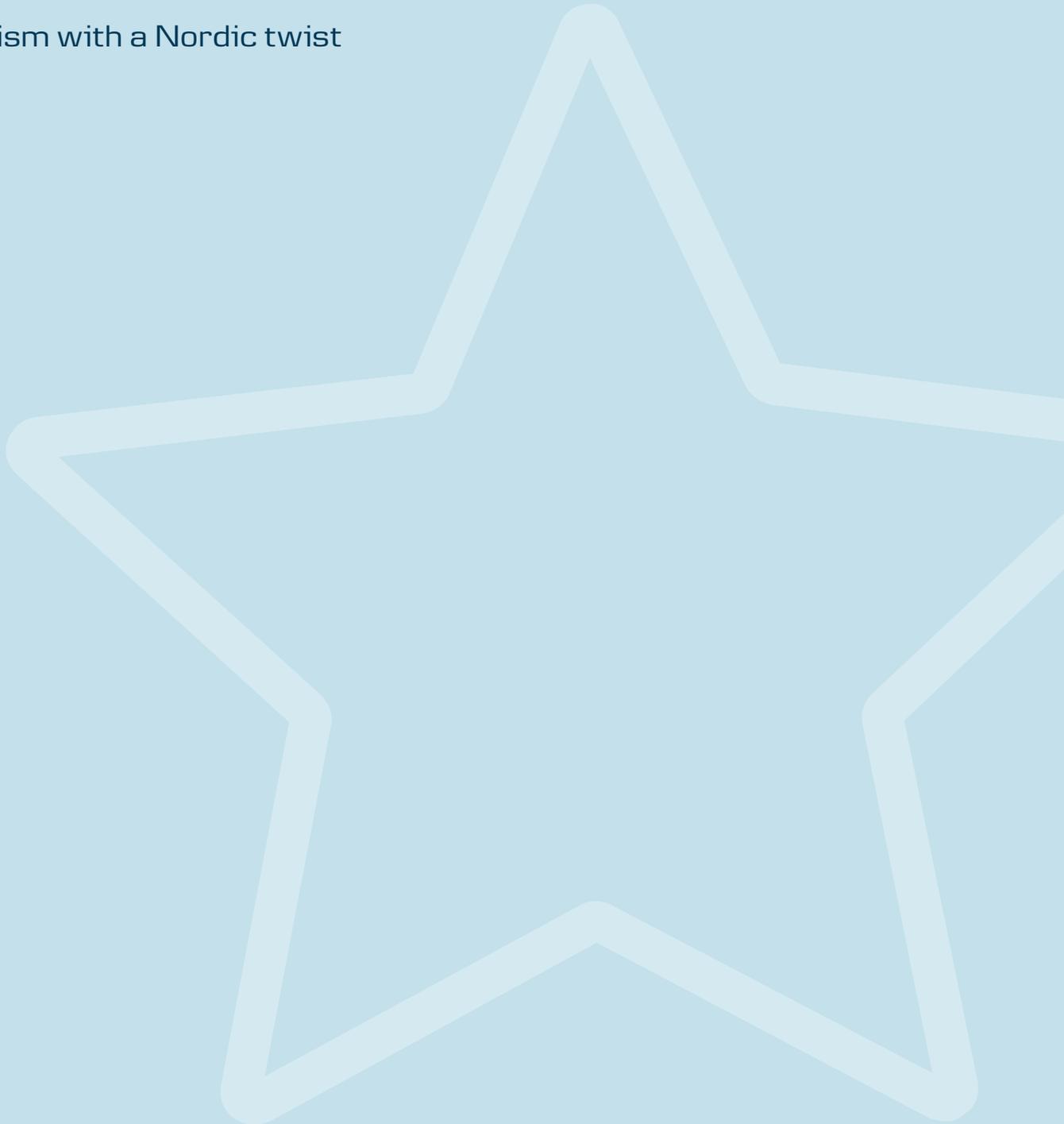
The Nordic brand is known for its societal and welfare model as well as its strong leaders of the data economy.



While global long-term growth declines, societies prove resilient. Nordic citizens identify with a strong Nordic identity.

Northern Stars

Capitalism with a Nordic twist





Northern Stars

Capitalism with a Nordic twist

In this globalized and market driven scenario, there is a new spirit of humanity exemplified by the global movement away from consumer-driven growth and global trade standards factor in the SDGs. Within the European Union, there is economic integration and focus on the single market. The great powers co-operate and international relations are relatively smooth. Finland and Sweden decide not to join NATO. Instead, they continue to co-operate on security, both bilaterally and within a Nordic framework (NORDEFECO).

The West stands united in its economic sanctions against Russia, which sees its economy taking a hit in the long term. The sanctions cause severe economic losses that put pressure on Putin's government in Moscow. The use of force by the police and pro-Kremlin militias undermines Putin's popularity among the Russian people and fuels demonstrations. As a result of the war in Ukraine, Russia becomes an international pariah. Faced with the economic hardship of the country and the meager results of the invasion, Putin is forced to step down. His successor turns out to be ready to re-establish good relations with both Ukraine and the West.

Across the region there is a palpable sense of a common Nordic identity with shared business interests, political objectives and values that brings the Nordics closer than ever. The strong role of the markets, combined with the strength of a collaborative region, results in a historic upswing of business and economic growth. The great regional power corporation establishes a new era of multilateralism, however the Nordic Council of Ministers holds less significance as the powerbase resides in the ecosystem of companies, universities and organizations.

Private enterprises play an increasingly important role across the social and healthcare sector. The income gap widens, there is more attention on wealth distribution and universal basic income is introduced. There is greater social dissonance and faith in public institutions begins to wane.

The Business & Market Landscape

The region is seen as a bright star on the world's business and sustainability map with technology and retail companies becoming global leaders in green capitalism. The ESG agenda

is embraced by companies and they attract skilled employees from around the world.

The global multi-market playing field provides a great springboard to the rest of the world and considerable growth opportunities for Nordic companies. Start-ups and emerging companies develop novel solutions to energy challenges. The region also feeds the global need for digital products and services which attracts a high degree of foreign venture capital.

However, this period of rapid innovation and growth is not for the weak. Not only is there more competition within the Nordics, there is also an influx of international competitors moving in which proves challenging for some older businesses. Taxation is also under more scrutiny as companies lobby for a more suitable system to encourage working and workers. The agricultural sector struggles due to loss of subsidies, which impacts the viability of Nordic FMCG brands. The possibility of a "winner takes all" dynamic or the formation of monopolies are risks, ideally offset by the values inherent in Nordic culture with regulation stepping in when necessary.

The following table illustrates the forecast GDP growth for the Nordic countries in the Northern Stars scenario.

Year	Finland	Norway	Denmark	Sweden
2024	2,3	3,0	2,6	2,8
2025	2,3	2,5	2,6	2,8
2026	2,3	2,5	2,6	2,8
2027	2,3	2,5	2,6	2,8
2028	2,3	2,5	2,6	2,8
2029	2,3	2,5	2,6	2,8
2030	2,3	2,5	2,6	2,8

GDP growth (in %) per Nordic country in the Northern Stars scenario. The logic here is that faster technological diffusion and productivity growth lead to higher GDP scores for all Nordic countries. Sweden has the best opportunities, because the supply of labor force is better and its industry is more varied than those of its neighbors.



Northern Stars

Sustainability, energy and climate solutions become forces of business and economic growth. The stronger market coupling across the energy sector results in increased electricity grid connections. Technology development and investment grows with new markets opening for carbon removal and storage, ideal for the sparsely populated, forest-rich Nordics. Renewables take a great leap forward with the market forces shaping and strengthening the eventual winners.

Economic indicator	Description
Inflation	2,5 %. Slightly more elevated for a longer period of time, as a result of faster economic growth.
Interest rates	4,0 %. Slightly more elevated than in baseline scenario.
Real Interest rates < 2030	1,5 %
Employment	War for talent, plenty of work-based immigration.

Key economic indicators in the Northern Stars scenario.

Green Nordic innovation proves to be good business and a transformative economic force. The private sector drives green transition with increased financing and an abundance of emerging start-ups. There is an emergence of Nordic companies that manage to combine digital technology and green solutions.

The Nordic brand becomes associated with the green transition with trailblazing new technological solutions and great success stories from large Nordic companies transitioning to net zero.



The Nordic region is seen as a bright star on the world's business and sustainability map, with technology and retail companies becoming global leaders in green capitalism.

Conclusions

For a long time, the Nordic region has been a safe and secure region for people and businesses, offering opportunities that people in many other parts of the world can only dream about. However, recent events have shown how things can take a turn for the worse in a relatively short time. First, we had a pandemic that halted Nordic cooperation and caused the Nordic countries to turn inwards. Then we had the war in Ukraine that shook the world and made the security environment of the Nordic region more unstable.

We have charted four different futures for the Nordic region. It turns out that scenarios where the Nordics cooperate are better for both Nordic citizens and companies than the ones where they turn inward or go their separate ways. However, each scenario requires us to rethink our assumptions and find new ways of working together, whether as networks of like-minded people and businesses, or nation-states.

We cannot predict the future but we can prepare for it. We hope that this report helps Nordic companies and Nordic citizens chart a successful course forward whatever the future brings.

We feel it is appropriate to end with a quote from Louis Pasteur, the man who invented the principle of vaccination: "Fortune favours the prepared mind."



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