

## NORDICS

## DENMARK, FINLAND, ICELAND, NORWAY, SWEDEN

### Key facts and figures (2019)

Topics	Denmark	Finland	Iceland	Norway	Sweden
Population (millions)	5.8	5.5	0.3	5.3	10.3
GDP in 2019 (US\$ billion)	347.2	269.7	24.2	403.3	528.9
GDP per capita in 2019 (US\$)	59,770	48,868	67,857	75,294	51,241
Forecast GDP Growth in 2020 (per cent) <sup>1</sup>	-3.9	-4.3	-5	-5.5	-3.4
Forecast GDP Growth in 2021 (per cent)	3.5	2.9	2.4	3	3.3
Two-way trade with Australia (A\$ million)	2,121	1,407	480	1,668	3,756
Australian investment in the Nordics (\$A million)	4,268	4,171	n/a	9,123	10,108
Nordic investment in Australia (A\$ million)	3,172	833	14	19,636	8,561
Inward FDI stock in Australia from Nordic countries (A\$ million)	np	np	np	652	2,352

### Business Conditions Snapshot

- The combined economy of the Nordic countries ranks as the 13<sup>th</sup> largest in the world. With a population of 27 million and a US\$ 1.6 trillion economy, the region's size is comparable to Australia.
- The Nordic countries entered the COVID-19 pandemic in a slowdown phase. As outward looking economies focused on global trade opportunities, they have been affected in recent years by global trade tensions and uncertainty over Brexit. COVID-19 has in turn caused a sharp economic downturn in the region, though

<sup>1</sup> European Commission, October 2020.



the forecast economic contraction is significantly lower than the European average.

- Nordic countries have responded to the crisis with strong business and income support measures, and increased investment in areas such as health, infrastructure and green transition. Although budget deficits have grown, these remain manageable and there is scope for further fiscal stimulus.
- As elsewhere across Europe, there is significant uncertainty about growth forecasts for 2020 and 2021, and outcomes will be heavily influenced by the course of the pandemic.
- Total two-way trade between the Nordic countries and Australia was valued at over A\$9.4 billion in 2019 which makes it Australia's 19th largest trading partner globally.
  - Total goods and services exports from Australia to the region were A\$2.3 billion.
- Foreign investment from Denmark to Australia increased by 48 per cent between 2015 and 2019.
- Foreign investment from Finland to Australia increased by 225 per cent between 2015 and 2019.
- Foreign investment from Norway to Australia increased by 83 per cent between 2015 and 2019.
- Foreign Direct Investment from Sweden to Australia increased by 14.5 per cent between 2015 and 2019.<sup>2</sup> Note that Sweden is the only country in the Nordics for which FDI figures are regularly published.
- The Nordic countries have strong track records of attracting foreign investment and global talent. Rather than specific incentives, they largely rely on strong fundamentals:
  - Open, diversified and competitive economies.
  - High levels of innovation across different sectors.
  - High purchasing power among domestic consumers.
- As a destination for global talent the Nordics offer:
  - Good work-life balance.
  - Excellent health and education systems.
  - Generous childcare and parental leave arrangements.

<sup>2</sup> <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02017?OpenDocument>



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- Opportunities to work in dynamic tech and start-up sectors.
- Nordic countries are working on policies to attract investment and talent, including on business promotion and professional mobility.

## Trade and Investment Opportunities

- Many Nordic companies view Australia as a key destination for their global expansion. With close cultural affinities and like-mindedness, Australia is often considered a suitable 'home market' based within the wider Asian region, and as such a potential regional hub.
- The Nordic region is home to major global technology, manufacturing and retail companies including Alfa Laval, Ericsson, Electrolux, Maersk, Metso, Nokia, Novo Nordisk, Saab, Scania, SKF, Vestas, Volvo Group, IKEA and H&M. All of these entities have a significant presence in Australia.
- Nordic companies are attracted by Australia's demographics, geographic position, strengths in education and research, and record as an early adopter of technology.
- The Nordic region has a world-leading digital industry ecosystem, spearheaded by 5G leaders Ericsson and Nokia.
- The Nordics are renowned for their expertise on creating smart, liveable and sustainable cities.
- The region is renowned for expertise in mining and associated equipment, technology and services and is home to three of the world's largest METS companies – Epiroc, Sandvik and Metso Outotec.
  - Sweden has traditionally been an important ore and metal producer in the EU.
  - It is developing a number of critical minerals and rare earths projects in Sweden, Norway, Finland and Greenland.
  - The Nordic region could become a vertically integrated battery manufacturing hub for the European electric vehicle industry.
- The Nordics have some of the highest targets for emission reductions in the world, driving demand for and innovation in low-emission and renewable technologies.
  - Norway has the world's highest penetration per capita of electric vehicles.
  - Sweden and Finland have some of the most ambitious carbon emissions targets in the world, driven both by government and industry.
  - Denmark is committed to highlighting opportunities for businesses and investments in delivering the Sustainable Development Goals through public private partnerships. It is being supported by Partnering for Green Growth and Global Goals 2050 (P4G).



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- The Nordics have deep pools of capital and large sovereign wealth funds.
  - The Government Pension Fund Global (GPF, Norway) and ATP (Denmark) are amongst the 20 largest funds globally.
  - Many have a key focus on sustainable and ethical investments.
- The Nordics and Australia each have world class reputations for creating liveable cities.
  - The Nordic focus on sustainable, smart and inclusive urban development and transport solutions positions them as valuable partners for commercial opportunities in Australia and globally.
- The Nordics are a significant contributor within Europe to higher education enrolments in Australia.
  - In 2019 the region had 5,608 enrolments, the majority studying at university.
  - There is close research cooperation between Nordic and Australian research institutions.
  - The Australian Research Council lists Sweden (with 124), Denmark (with 123), Norway (with 45) and Finland (with 41) among the top 25 countries for its funded international collaborations.<sup>3</sup>
- Austrade's focus in the Nordic markets is for productive foreign direct investment into Australia.
  - Key sectors are energy (renewables and hydrogen), circular economy, health industries, disruptive technologies such as fintech and AI-powered solutions, future transport, sustainable and smart cities.
- There are also significant opportunities for two-way trade and investment in the defence, security, space and cyber sectors.
- In recent years Australian companies have made investments in the Nordics in the health, renewable energy, mining, and infrastructure sectors.
- The Nordics, in particular Sweden, are home to a dynamic tech and start-up sector, as illustrated by companies such as Spotify, Skype, Klarna and Mojang (creator of Minecraft).
  - The sector creates business opportunities for Australian investors, entrepreneurs and professionals.

<sup>3</sup> Numbers in parenthesis are from 2017 <http://www.arc.gov.au/international-research-collaboration-data>



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## Trade Policy Focus

- The Nordics are positive towards free trade across government, business and civil society. They are strong supporters of open and free trade and typically like-minded with Australia on trade policy issues.
- In response to the COVID-19 pandemic, the Nordic region has emphasised the strong importance of combating protectionist sentiment and maintaining open trade flows.
- Australia is currently negotiating a free trade agreement with the EU to strengthen two-way trade and investment links. The Nordics are all members of the EU or EEA and will stand to benefit from the proposed Australia–EU Free Trade Agreement.
- While trade negotiations are conducted by the EU Commission, EU member states (Sweden, Finland and Denmark) will be consulted on the negotiations.
- As EU member states, Sweden, Finland and Denmark are represented on the EU Council and have representatives in the European Parliament. Both the Council of the EU and the European Parliament must approve the final FTA deal. Accordingly, outreach to Sweden, Finland and Denmark on key issues arising in the negotiations will be a priority.
- All EU Nordics want a comprehensive and ambitious outcome.
- While Nordics are generally supporters of free trade and like-minded with Australians, we can expect an increased focus on agriculture and climate change matters to be raised in the FTA negotiations.
- Iceland and Norway are not members of the EU but are connected with the internal EU market through the European Economic Area (EEA) and the European Free Trade Agreement (EFTA). This allows Iceland and Norway to pursue independent free trade agreements bilaterally or through the EFTA. Through EFTA, Iceland and Norway currently have 27 free trade agreements in place, including with Canada, Turkey, Mexico, Israel and South Korea. Iceland has a bilateral free trade agreement with China.
- A strong WTO reform agenda will be a priority for the Nordic region going forward.
- The Nordics are all members of the OECD. Sustainable development gender equality, quality education and innovation are priorities for the Nordic countries.

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*Insight current as at December 2020.*



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