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# The Investment Expert

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Asset allocation strategies for a new investment landscape

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# The IMF's Nordic Regional Report: Common challenges and shared risks

**Helge Berger**

Head of Nordic Unit, European Department  
*International Monetary Fund*

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# Nordic Regional Report

Common Challenges and Shared Risks

22 October, 2013



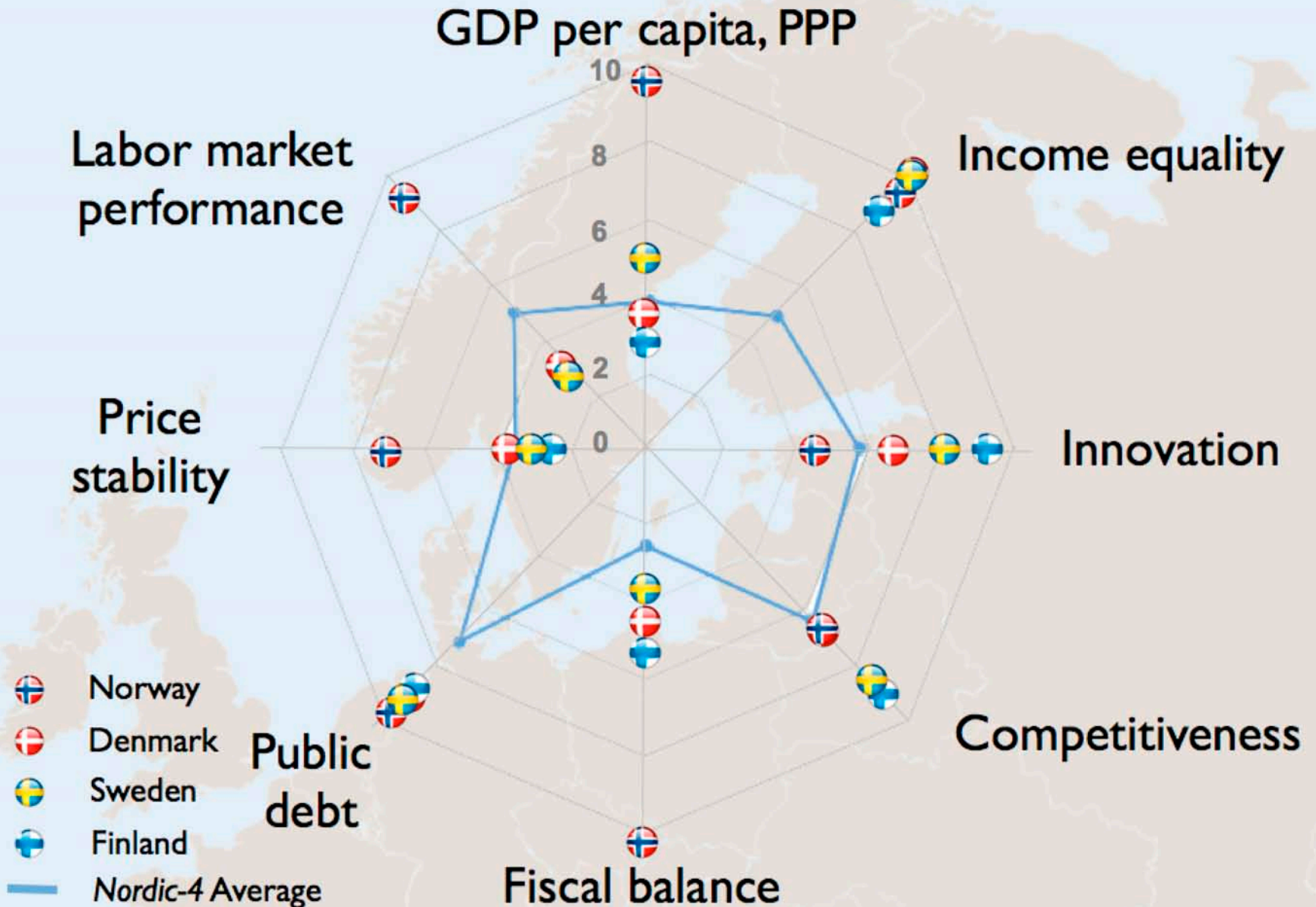
## **Documents**

[Nordic Regional Report:  
2013 Cluster Consultation](#)

[Nordic Regional Report: Selected Issues](#)



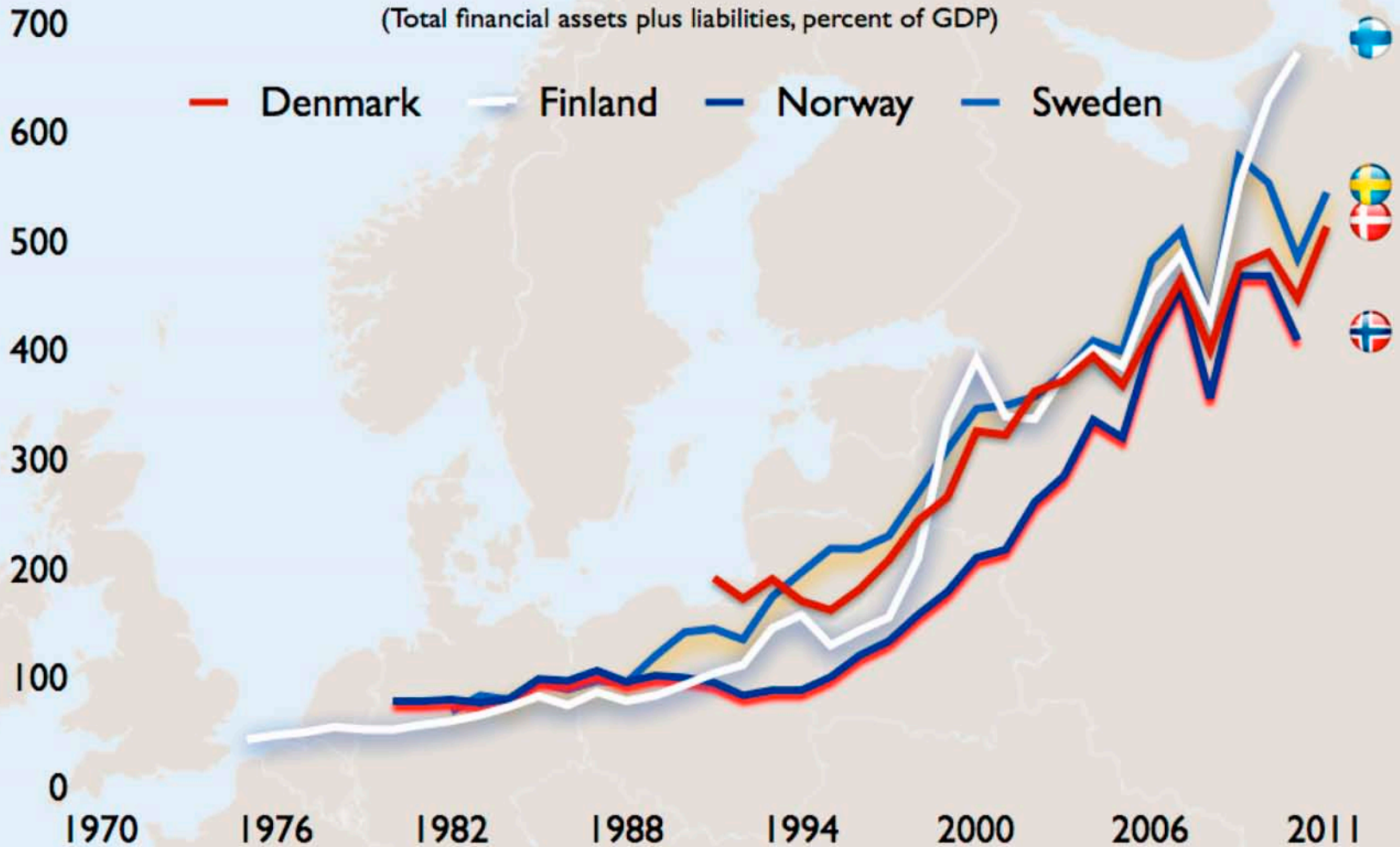
# Relative Performance of the Nordic Model



# Embracing Financial Globalization

Financial Openness, 1970-2012

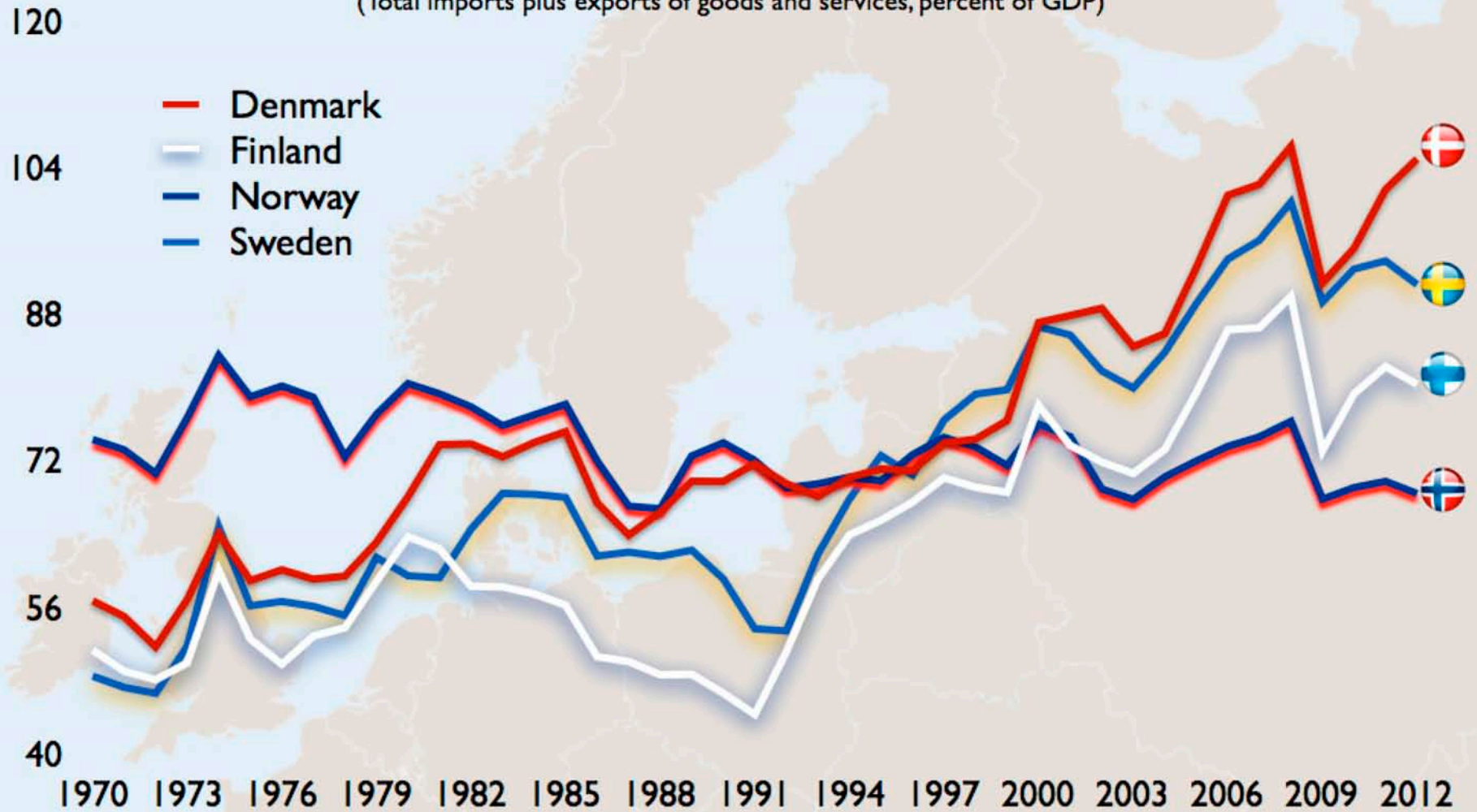
(Total financial assets plus liabilities, percent of GDP)



# Openness to Trade

## Trade Openness, 1970-2012

(Total imports plus exports of goods and services, percent of GDP)



# Nordic Regional Report



◆ Systemic Risks

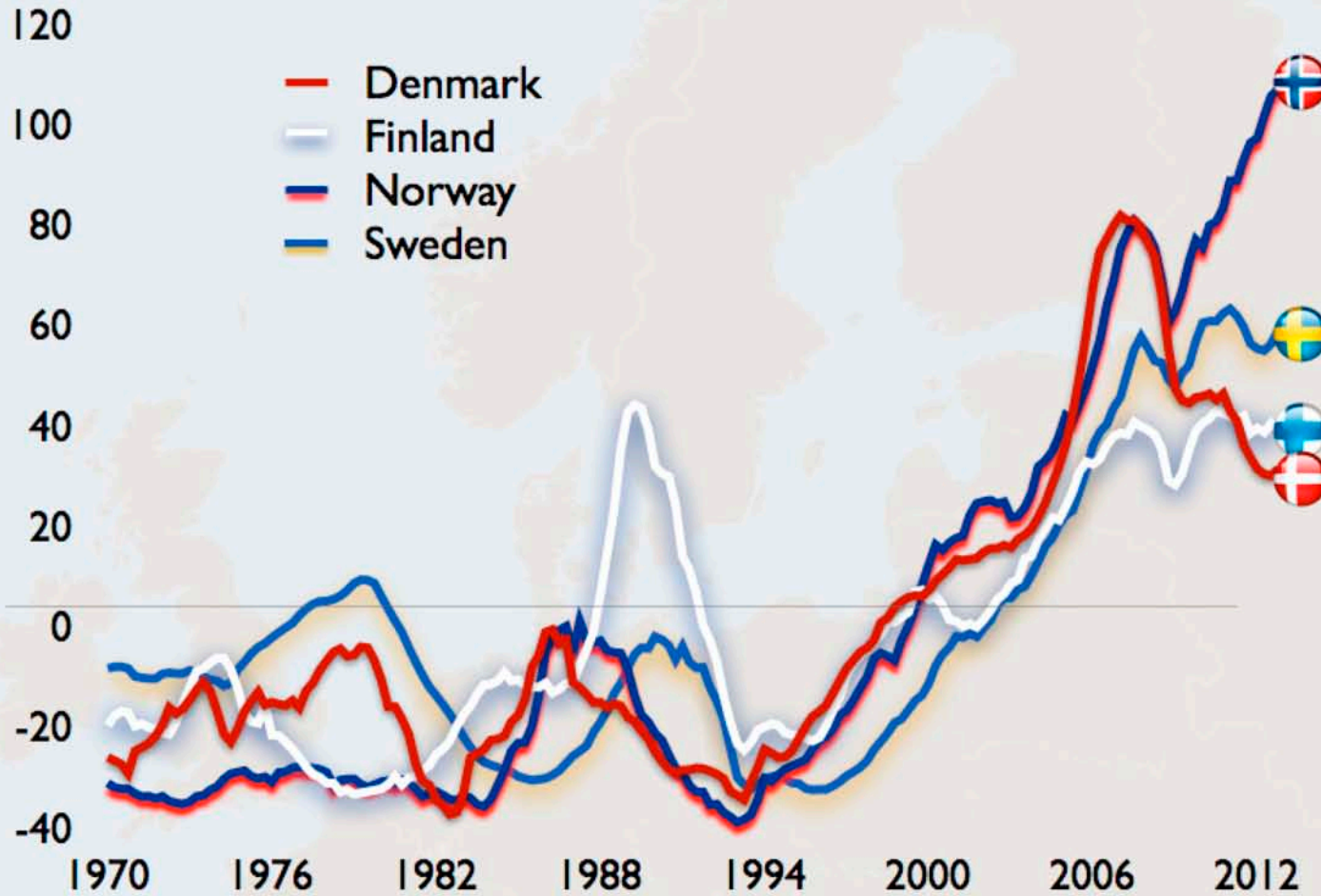
◆ Transmission and Costs

◆ Coordination and Cooperation

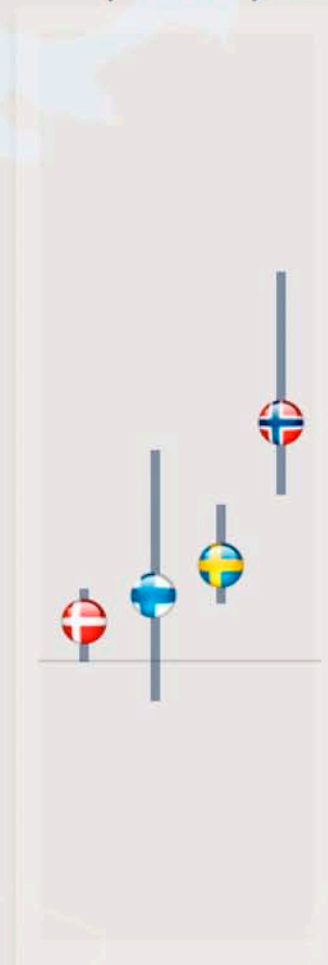


# House prices remain elevated

Real House Prices, 1970-2012  
(Percentage deviation from long-run average)



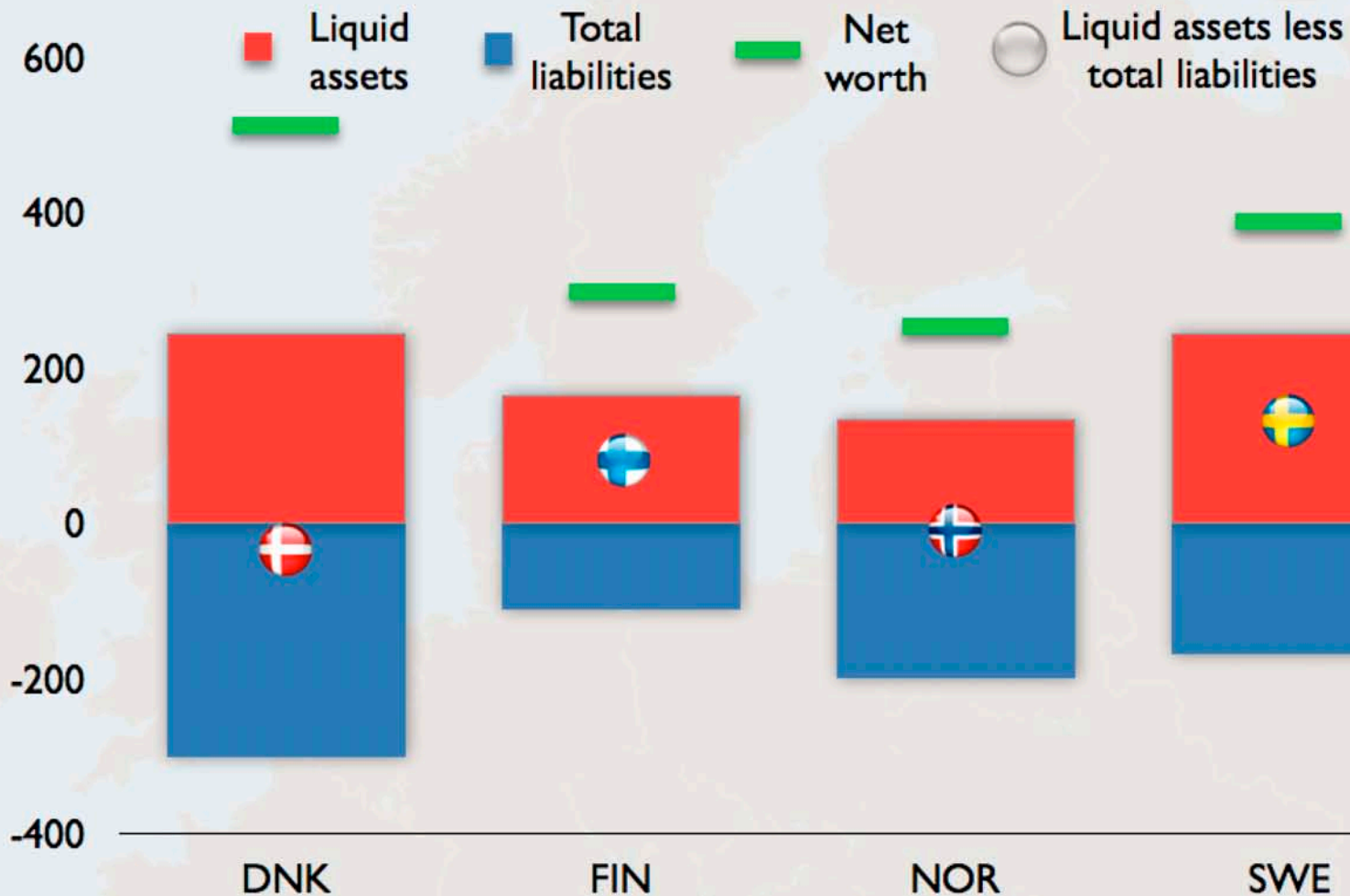
Valuation  
(Percent)



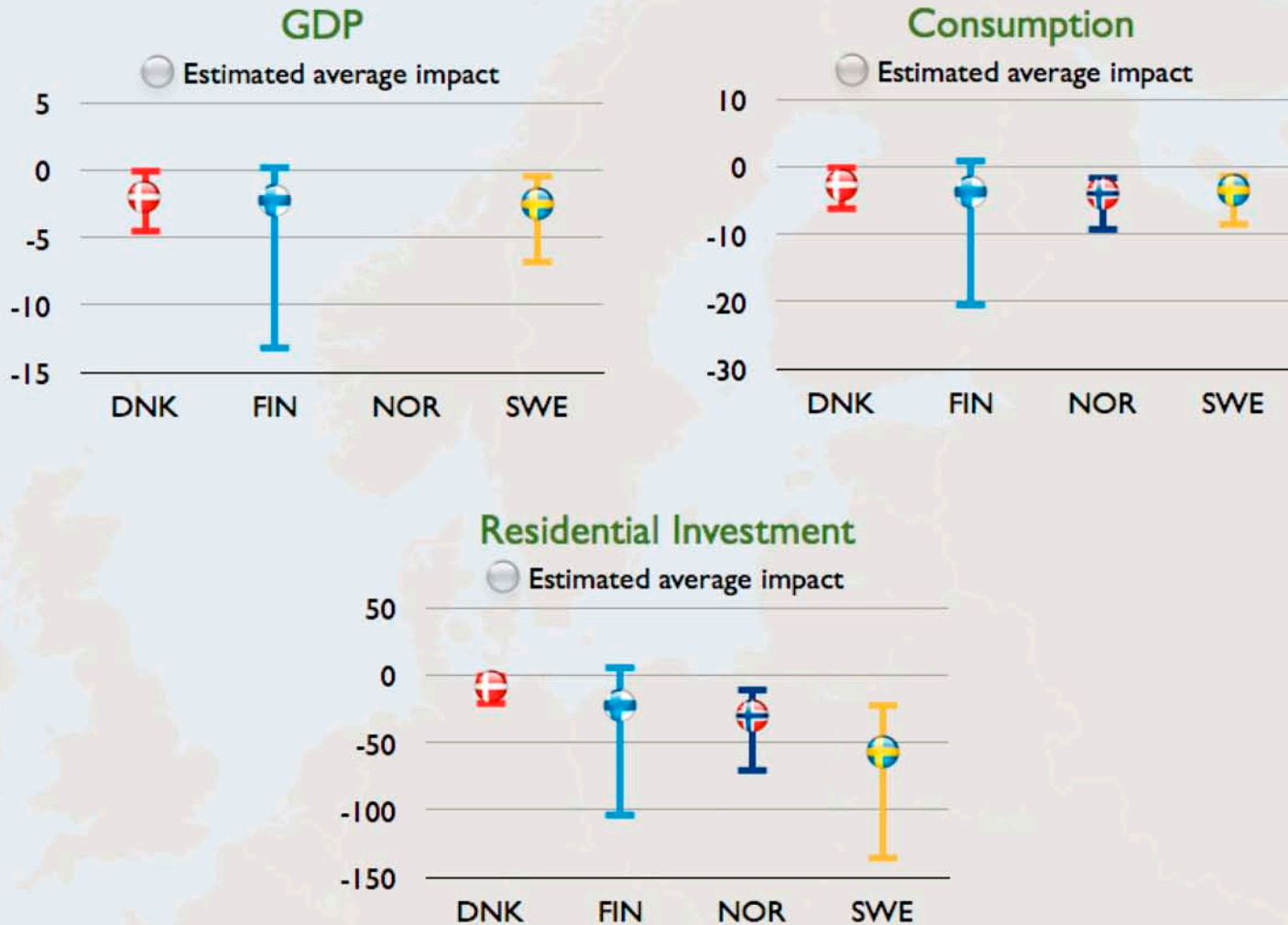


# Balance sheets mask a mismatch between assets and liabilities

Household Balance Sheets  
(Percent of disposable income)



# Estimates suggest a house price correction can have material impact on economy



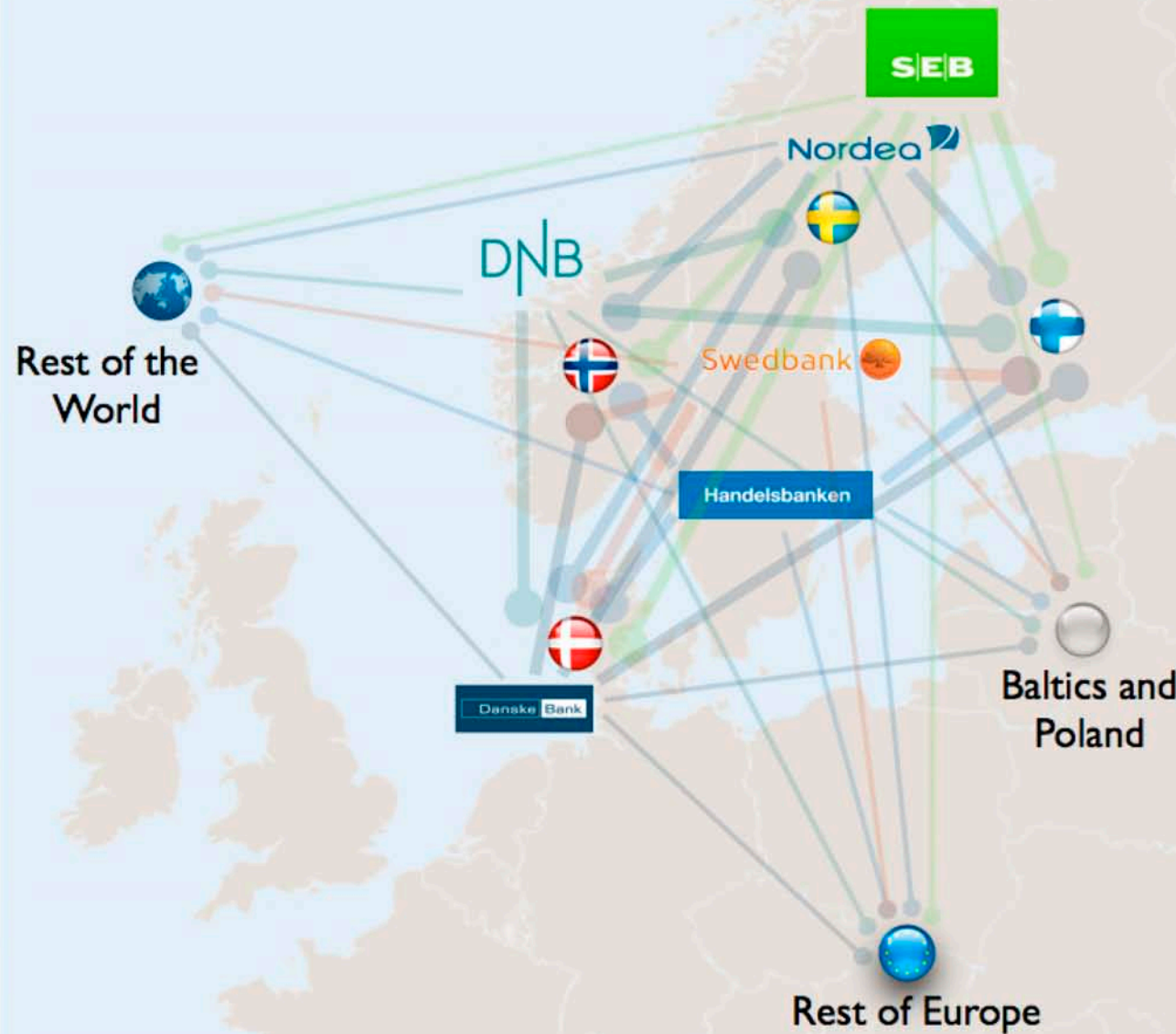
# Nordic Regional Report



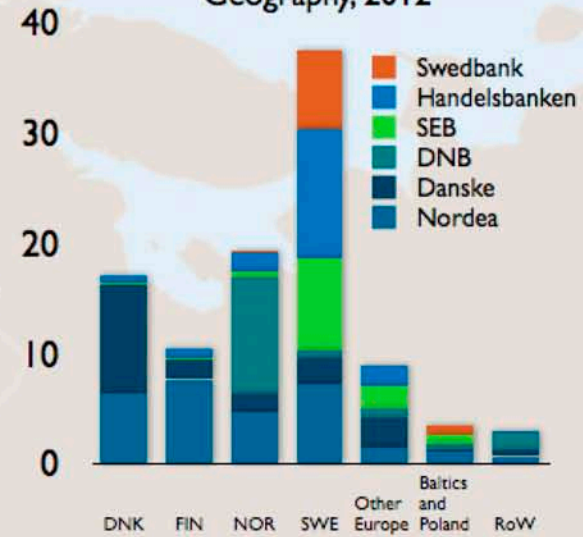
## Transmission and Costs



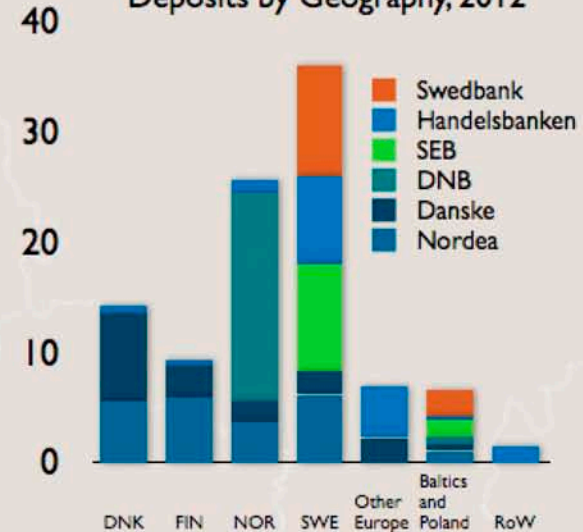
# A regionally integrated financial sector



Credit Portfolio Exposure by Geography, 2012

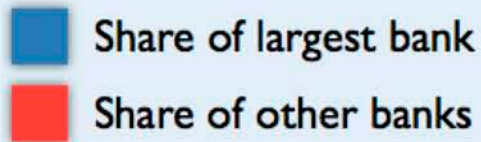


Deposits by Geography, 2012



# Large and concentrated

Total Assets of Publicly-Listed *Nordic-4* Banks  
(2012, Percent of National GDP)



107 percent of GDP



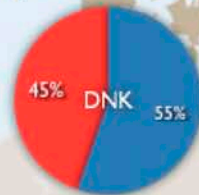
31 percent of GDP



361 percent of GDP

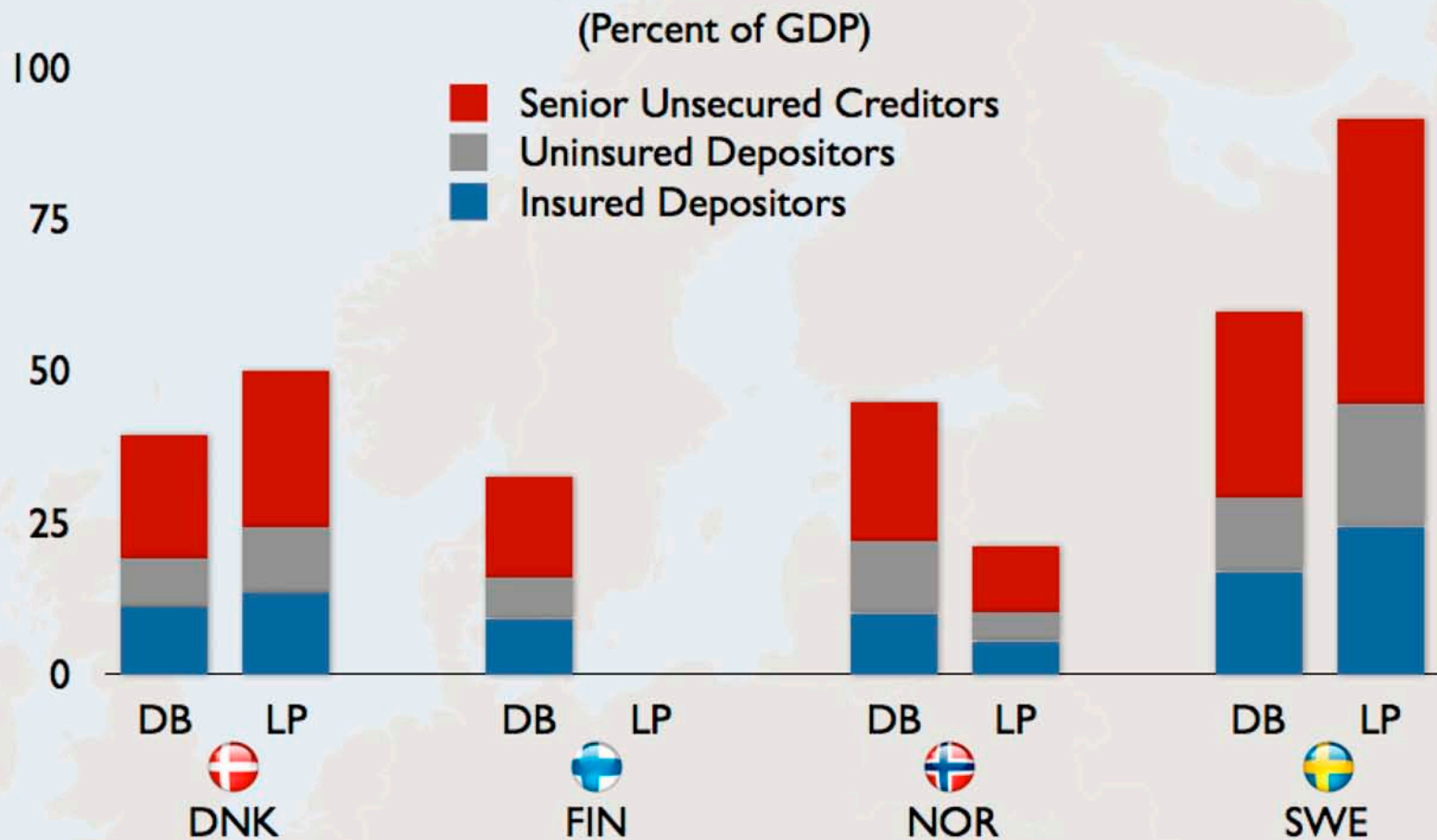


357 percent of GDP \*



\* Includes Nykredit Realkredit, Nykredit Bank and Totalkredit (unlisted mortgage banks).

# Potential Fiscal Costs of Bailing Out Six Largest Banks



DB: Determined by Location of Deposits

LP: Determined by Location of Parent



# Simple examples of burden-sharing across the region



Denmark



Finland



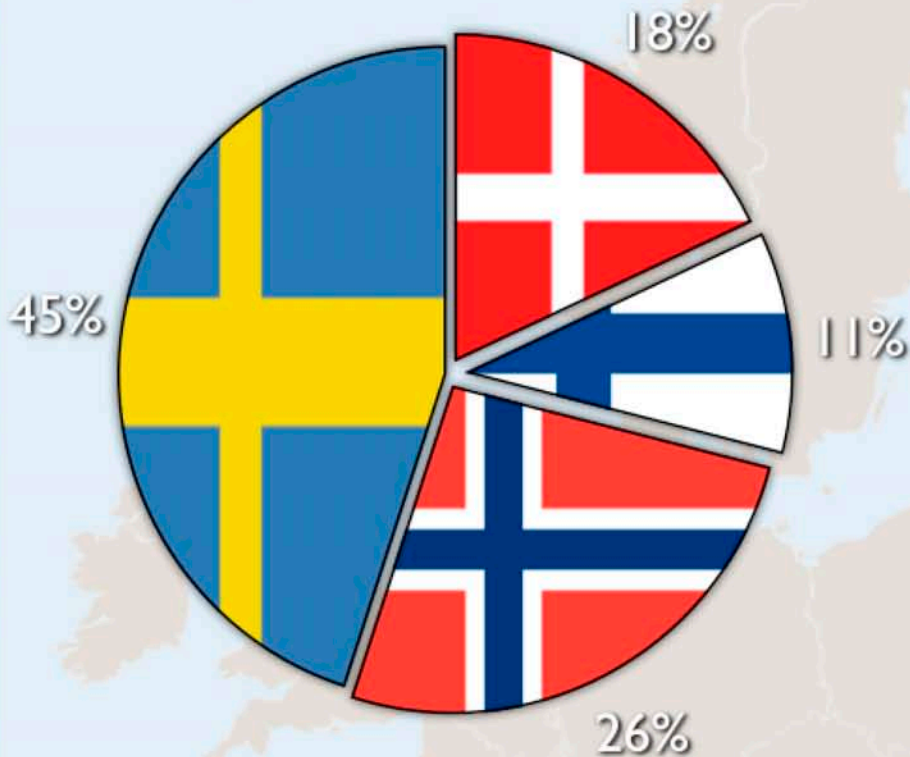
Norway



Sweden

Determined by Location of Deposits  
(Percent of total costs)

Determined by Location of Parent  
(Percent of total costs)



# Nordic Regional Report

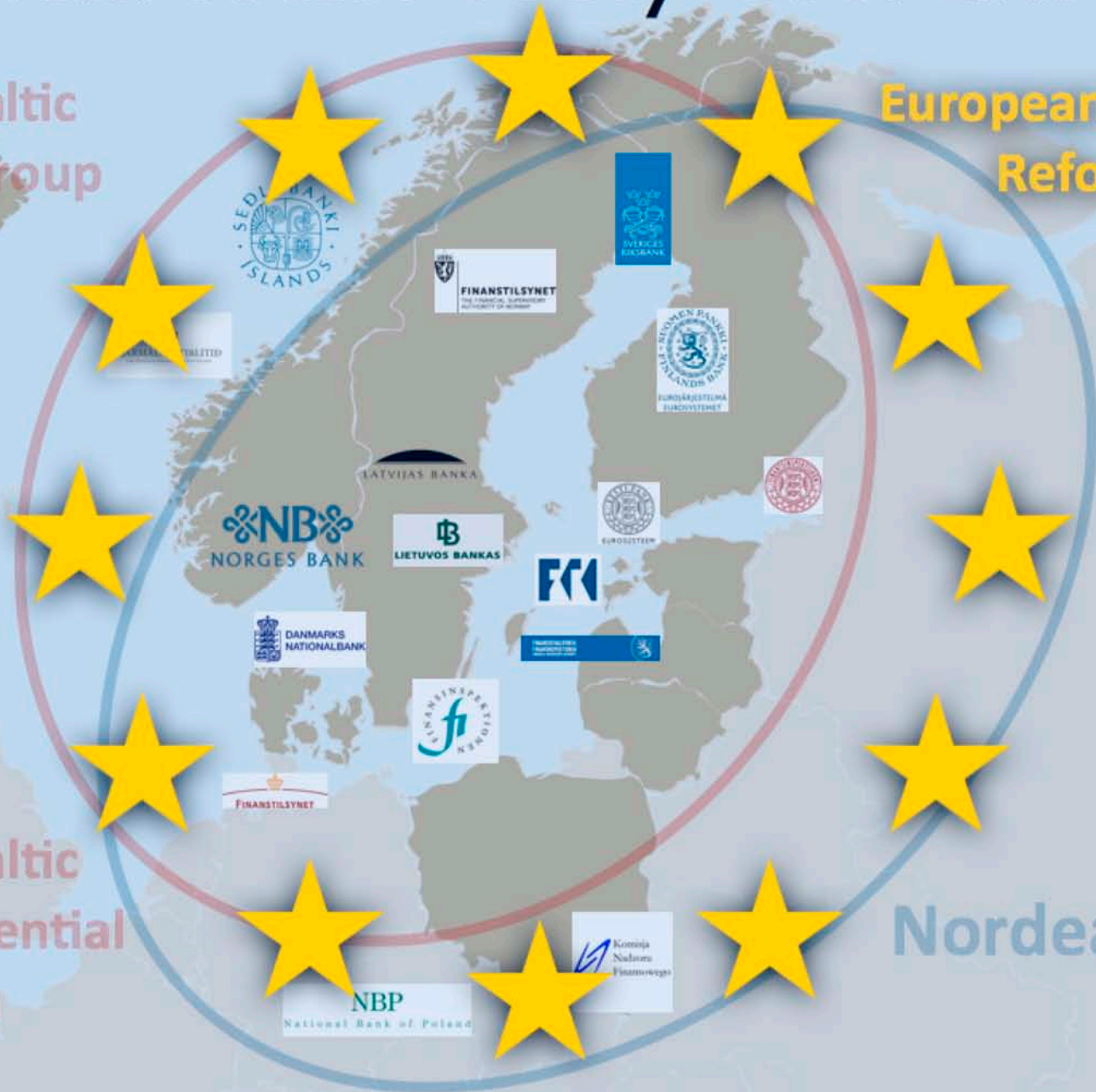


Coordination and Cooperation

# Financial Sector Policy Coordination

Nordic-Baltic  
Stability Group

European Banking  
Reforms



Nordic-Baltic  
Macroprudential  
Forum

Nordea CMG