

### Sluggish performance in H1 2016

The economy recorded another quarter of below trend growth in Q2, with GDP growth a modest 0.5%, after the 0.4% growth recorded in Q1. Quarterly GDP growth averaged 1.1% in 2015, with the slowdown in 2016 largely attributable to weaker investment growth and faltering external demand for exports in recent months.

### Private consumption growing at a healthy rate

Consumers remain the strongest performing sector of the economy, with inflation and interest rates low, while real wages are rising. The unemployment rate was 6.6% in August and is expected to fall further, with many firms continuing to experience labour shortages. Private consumption growth is now forecast to increase by 2.3% in 2016.

### Investment growth forecast to strengthen

Investment activity has been weaker than anticipated in H1 2016, with a marked slowdown being noted in the construction sector. This is expected to be short lived, however, with recent confidence indicators suggesting firms are showing a strong appetite for expansion and capital spending. Investment growth will be a robust 7.0% in 2016, before moderating to 3.6% in 2017.

### Weak external demand weighing on growth

The main drag on growth in recent quarters has been the export sector, with demand from key international trading partners declining. Exports are forecast to increase by a modest 1.8% in 2016, after expanding by 5.5% in 2015.

### Monetary policy to remain highly accommodative

While the underlying fundamentals for the domestic economy are positive and may strengthen further, the Riksbank remains committed to its ultra-loose monetary policy. Inflationary pressures are building, but not at a strong enough pace to warrant a change in interest rates, while the current quantitative easing programme is widely expected to be maintained until H2 2017.

### MARKET INDICATORS

#### Market Outlook

|                |  |   |
|----------------|--|---|
| GDP:           | Strong economic fundamentals, with healthy GDP growth expected over the medium term.                 | ▼ |
| Inflation:     | Slowly rising throughout 2016, before accelerating in 2017, as the impact of lower oil prices wanes. | ▼ |
| Interest rate: | Interest rates are expected to remain at current low levels until at least the second half of 2017.  | ▶ |
| Employment:    | Healthy job creation to continue, with more companies committing to expansion plans.                 | ▼ |

#### Economic Summary

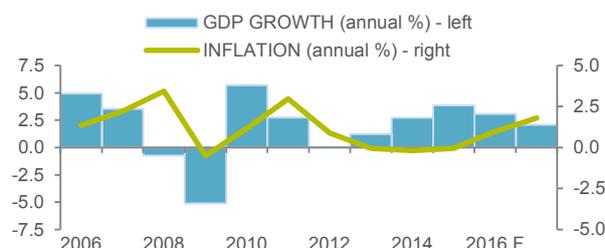
| ECONOMIC INDICATORS         | 2013 | 2014 | 2015 | 2016 <sup>F</sup> | 2017 <sup>F</sup> |
|-----------------------------|------|------|------|-------------------|-------------------|
| GDP Growth                  | 1.2  | 2.7  | 3.9  | 3.1               | 2.1               |
| Consumer Spending           | 1.9  | 2.2  | 2.6  | 2.3               | 2.2               |
| Industrial Production       | -4.7 | -1.7 | 2.7  | -0.5              | 3.4               |
| Investment                  | 0.6  | 5.6  | 6.8  | 7.0               | 3.6               |
| Unemployment rate (ILO%)    | 8.0  | 7.9  | 7.4  | 7.0               | 6.7               |
| Inflation                   | 0.0  | -0.2 | 0.0  | 1.0               | 1.8               |
| SEK/EUR (average)           | 8.65 | 9.10 | 9.35 | 9.40              | 9.16              |
| SEK/USD (average)           | 6.51 | 6.86 | 8.43 | 8.43              | 8.40              |
| Interest Rates: 3-month (%) | 1.0  | 0.5  | -0.3 | -0.5              | -0.5              |
| Interest Rates: 10-year (%) | 2.1  | 1.7  | 0.7  | 0.2               | 0.2               |

NOTE: \*annual % growth rate unless otherwise indicated. E estimate F forecast  
Source: Oxford Economics Ltd. and Consensus Economics Inc

#### Economic & Political Breakdown

|                         |   |
|-------------------------|---|
| Population              | 9.8 million (2015)  |
| GDP                     | US\$ 495.4 billion (2015)   |
| Public Sector Balance   | -0.1% of GDP (2015)   |
| Public Sector Debt      | 52% of GDP (2015)   |
| Current Account Balance | 5.2% of GDP (2015)  |
| Parliament              | Minority coalition of Social Democratic Party and the Green Party |
| Head of State           | King Carl XVI Gustaf  |
| Prime Minister          | Stefan Lofven   |
| Election Dates          | September 2018 (parliamentary)                                    |

#### Economic Activity



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