

Macro Focus

The Nordic Sustainability League: Norway in the lead

- ▶ Sweden leads in environmental protection but lags Nordic peers in other areas
- ▶ No Nordic country on track to meet environmental goals in Agenda 2030
- ▶ All Nordic countries perform well on governance and on social inclusion

The Swedbank's Sustainability Indicators monitor the progress towards the UN 2030 Agenda for Sustainable Development, summarised in four pillars: (E) environmental protection, (S) social inclusion, (G) governance, and (G) medium term growth. Among the Nordics, Norway comes out as a leader. Norway scores the best in two pillars out of four – social inclusion and governance. Sweden is the leader in environmental protection, while Denmark leads in sustainable medium-term growth. Norway also leads with 19 indicators out of 41 at top marks, followed by Sweden with 15 and Finland with 14. Meanwhile, Denmark performs worst, with only 10.

Sweden, Finland, Denmark, and Norway are global leaders in many areas of sustainable development. For example, the Nordics are among the top performers in many international indices like [Transparency International](#), World Bank's [Worldwide Governance Indicators](#), or the [SDG index](#) of the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung (looking at UN Sustainable Development goals, SDGs). The Nordics are often looked upon as leading examples in human rights and gender equality, welfare models and governance, and the transition to greener economies. There is in these countries high political and civil society engagement in sustainable business strategies and development in general, and the UN Agenda 2030 in particular. There is also good historical cooperation between Nordic parliaments (the Nordic Council, formed in 1952) and governments (the Nordic Council of Ministers, formed in 1971).

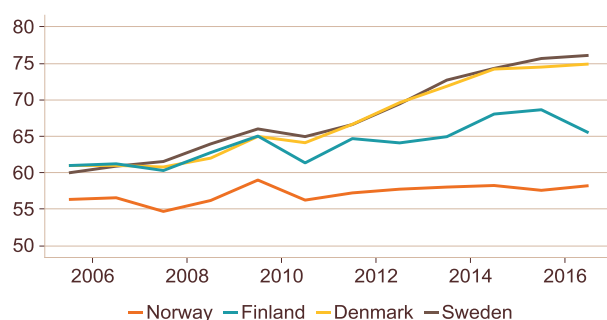
Yet, Swedbank's Sustainability Indicators (SSI) show that a lot of work remains to be done, e.g., in meeting ambitious environment goals and promoting sustainable medium-term growth. This also implies that there are still *unused business opportunities to advance sustainability* in all the Nordic countries. SSI serve to identify areas in which we need and can expect both public and business investment in coming years.

Largest business potential in environmental protection

SSI monitor the progress towards the UN SDGs. As a benchmark or target for 2030, we use the top performers in the EU28 in 2015. Depending on how far the countries are from the 2030 targets, we assign them traffic light colours. We have chosen 41 indicators, grouped into four sustainability pillars: environmental protection, social inclusion, governance, and sustainable medium-term growth. (The detailed methodology for SSI can be found [here](#) and a shorter description at the end of the document)

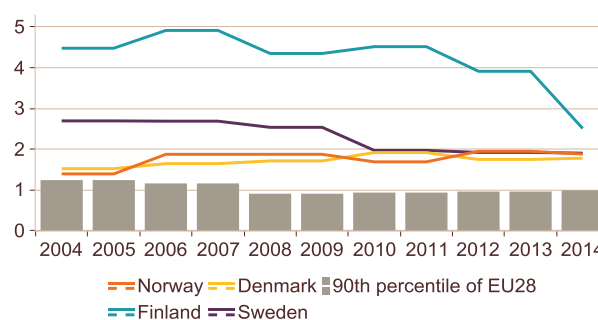
The largest room for improvement and, thus, largest business potential is seen in the environmental protection pillar (detailed tables with all the indicators used can be found in the appendices). Sweden scores the best but is still at only 83% of the target. Finland lags behind at 68% of the benchmark, mostly owing to still-high energy intensity, low resource productivity, and high waste generation. Yet, all the countries still have a long way to go to reduce greenhouse gas emissions to fulfil the ambitious national targets. The levels of waste generation (in all countries) and air pollution (except in Sweden) also require action, both from policymakers and corporates. On a positive note, performance in environmental protection has been improving in recent years – on average about 2-3% per annum in Sweden, Denmark, and Finland, but less so in Norway.

Greenhouse gas emissions, % of national targets



Source: Swedbank Research & Macrobond

Generation of waste, tonnes per capita



Source: Swedbank Research & Macrobond

Good results in social inclusion, but room for improvement in Sweden and Denmark

In social inclusion, Denmark lags behind the most, primarily due to a higher maternal mortality ratio than in the other Nordic countries. In turn, Sweden lags behind in such areas as poverty risk and the income gap between the 20% richest and 20% poorest. There were no improvements in Sweden overall in the social inclusion pillar in recent years. The improvement in other countries has also been rather timid, on average at 0.3-0.7% per annum. The gender pay gap is still sizeable in all Nordic countries (see detailed analysis on gender equality in Sweden [here](#) and [here](#)). Overall, Norway scores the best, but Finland is breathing down

Progress towards UN SDGs, % of benchmark*

| | Sweden | Denmark | Finland | Norway |
|-------------------------------------------------------|--------|---------|---------|--------|
| E: Environmental protection (SDGs # 6, 7, 11, 12, 13) | 83 | 79 | 68 | 72 |
| S: Social inclusion (SDGs # 1, 3, 5, 10) | 89 | 81 | 91 | 91 |
| G: Governance and institutions (SDGs # 16, 17) | 97 | 94 | 91 | 99 |
| G: Sustainable medium-term growth (SDGs #4, 8, 9) | 87 | 91 | 83 | 88 |

↓ - Downward/stable trend during last 5 years (4 years for governance)

* Benchmark is 90 or 10th percentile of EU28 in 2015. In total 41 indicators covering 14 from 17 SDGs, aggregated to four pillars.

Traffic lights: >90% for green, 70-90% for yellow

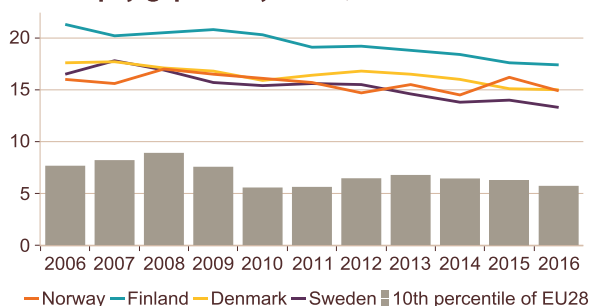
Source: Swedbank Macro Research.

its neck.

Strong governance in all Nordic countries, but complacency is dangerous

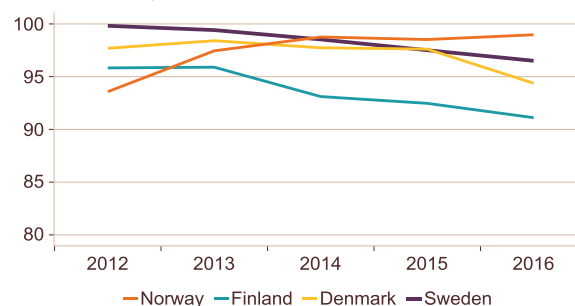
Governance has historically been the strong side for the Nordics. However, complacency is dangerous – results have been worsening during recent years, except for Norway. Our traffic-light indicators are nevertheless green for all the countries, over 90% of the benchmark. Norway is scoring best again, and Finland is performing worst, mostly due in the latter case to lower official development assistance to less developed markets.

Gender pay gap (unadjusted), %



Source: Swedbank Research & Macrobond

Governance, % of benchmark



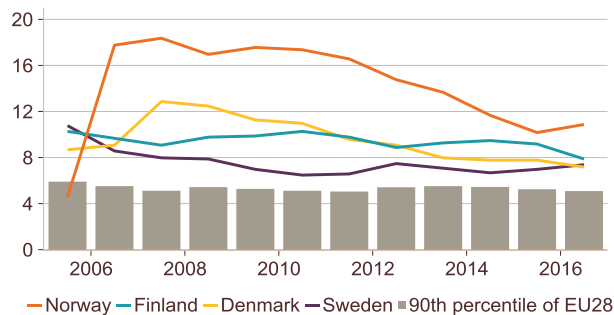
Source: Swedbank Research & Macrobond

Reforms needed in education and innovation policy to strengthen medium-term economic growth

Preconditions for sustainable medium-term growth are also a challenge for the Nordics, with only Denmark assigned a green light in this pillar. For all the countries, the share of early leavers from education and training is a problem. Youth NEET (not in education, employment, or training) rates are still at elevated levels in Finland, while Norway lags behind in research & development expenditure.

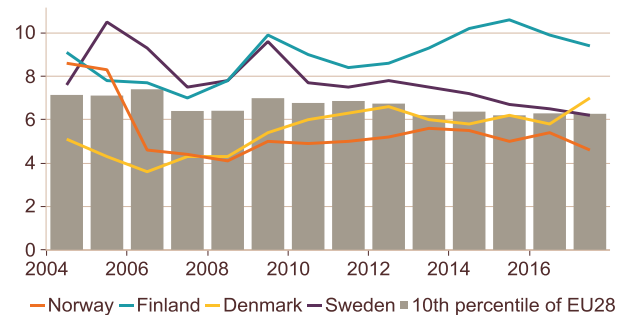
To assess demographic challenges to growth, we include the old-age dependency ratio to the indicators' list. The dependency ratio is assigned a red traffic light in all countries except Norway and is forecast to become even worse by 2030 (see [The 2018 Ageing Report](#) by the European Commission). Now, it is hard to change this ratio even in the medium term, given ageing tendencies and current fertility rates; however, it can be counteracted with other policies (e.g., increasing participation rates even further and/or raising the retirement age). In the Nordics, the situation is actually better than elsewhere in Europe – populations are expected to increase more and, even more important, the EC forecasts working-age populations to grow as well in Sweden, Norway, and Denmark. In Finland, the 15-64-year-old population is anticipated to fall somewhat, as in the euro area on average.

Early leavers from education or training, % of 18-24 population



Source: Swedbank Research & Macrobond

NEET (not in education, employment or training) rate, 15-24 years, %



Source: Swedbank Research & Macrobond

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Appendix 1

Swedbank's Sustainability Indicators, Methodology

- 41 indicators, covering 14 out of 17 SDGs, grouped into four sustainability pillars
- Benchmark is 90th or 10th percentile of the EU28 in 2015 (i.e., when UN 2030 Agenda was set), depending whether maximum or minimum is relevant. If the indicator is above the benchmark, it is capped at 100%
- The benchmark for each indicator is set as a target for 2030. However, for non-traded CO2 emissions, national targets were used instead
- Traffic lights set depending on how realistic it is to achieve the benchmarks by 2030 (gauging by historical progress)

How the SSI:s are determined:

1. Collecting data on the included indicators for the EU28 countries
2. Calculating the 10th and 90th percentile value among the EU28 countries for each indicator for 2015 to be used as benchmarks
3. Comparing the national annual indicator values to the benchmarks and assigning traffic light colours: $\geq 90\%$ for green, 70-89% for yellow, and $< 70\%$ for red
4. Aggregating national scores into our chosen four pillars (environmental protection, social inclusion, sustainable medium-term growth, and governance and institutions), by taking averages
5. Assigning traffic light colours for the pillars by similarly aggregating the percentages calculated in 3.

Sources: Swedbank Macro Research, Macrobond, Eurostat, World Bank, European Institute for Gender Equality, Basel, Transparency International

Appendix 2

List of indicators, progress towards UN SDGs (absolute numbers)

| | Benchmark | SE | DK | FI | NO | SDG | Latest available data |
|-------------------------------------------------------------------------------------------------|-----------|------|------|------|------|-----|-----------------------|
| E: Environment | | | | | | | |
| Energy intensity (energy consumption, % of GDP) | 89.8 | 116 | 66 | 182 | 80 | 7 | 2016 |
| GHG emissions intensity of consumption (emissions per consumption unit) | 78.4 | 83.5 | 75.4 | 73.9 | 94.6 | 12 | 2015 |
| Resource productivity (GDP per domestic material) | 3.3 | 1.6 | 1.6 | 1.0 | 1.4 | 12 | 2016 |
| Share of renewable energy in gross final energy consumption, % | 34.2 | 53.8 | 32.2 | 38.7 | 69.4 | 7 | 2016 |
| Share of the population connected to at least secondary urban wastewater treatment, 2005-15 (%) | 96.9 | 87.0 | 91.0 | 83.0 | 65.7 | 6 | 2013 (LV, FI) - 2015 |
| GHG emissions per capita (tonnes CO2 equivalent) | 5.9 | 5.7 | 8.9 | 10.5 | 10.7 | 13 | 2015 |
| Material recycling, % of municipal generated waste | 53.8 | 48.9 | 47.7 | 42.0 | 38.2 | 11 | 2016 |
| Rooms per person | 2.0 | 1.7 | 1.9 | 1.9 | 2.1 | 11 | 2016 (DK, LV 2017) |
| Air pollution, nitrogen oxides (kg per capita) | 12.5 | 13.3 | 20.2 | 25.5 | 29.3 | 11 | 2015 |
| Generation of waste, tonnes per capita | 1.0 | 1.9 | 1.8 | 2.5 | 1.9 | 12 | 2014 |
| GHG emissions (non-traded), m tonnes CO2 equivalent | 5.3 | 33.7 | 32.3 | 31.3 | 53.3 | 13 | 2016 |
| S: Social | | | | | | | |
| Gini index | 25.1 | 27.6 | 27.6 | 25.4 | 25.0 | 10 | 2016-2017 |
| Severe material deprivation rate, % | 2.5 | 0.8 | 3.1 | 2.2 | 2.0 | 1 | 2016-2017 |
| Risk-at-poverty rate, % (after social transfers) | 12.3 | 16.2 | 12.4 | 11.6 | 12.2 | 1 | 2016-2017 |
| Maternal mortality ratio, deaths per 100000 live births | 3.7 | 4.0 | 6.0 | 3.0 | 5.0 | 3 | 2015 |
| Healthy life years at birth/women | 67.6 | 73.8 | 57.6 | 56.3 | 68.9 | 3 | 2015 |
| Healthy life years at birth/ men | 65.7 | 74.0 | 60.4 | 59.4 | 71.8 | 3 | 2015 |
| Income quintile ratio S80/S20 | 3.6 | 4.3 | 4.1 | 3.6 | 3.7 | 10 | 2016-2017 |
| Share of women in national parliaments, % | 39.5 | 46.1 | 37.4 | 42.0 | 40.8 | 5 | 2017 |
| Share of women in the boards etc, % | 29.6 | 35.9 | 30.3 | 32.8 | 42.1 | 5 | 2017 |
| Gender pay gap, % (unadjusted) | 6.1 | 13.3 | 15.0 | 17.4 | 14.9 | 5 | 2016 |
| G: Governance | | | | | | | |
| Official development assistance, % of gross national income | 0.8 | 0.9 | 0.8 | 0.4 | 1.1 | 17 | 2016 |
| Transparency International corruption perceptions index | 86.2 | 84.0 | 88.0 | 85.0 | 85.0 | 16 | 2017 |
| Worldwide governance indicators (Voice and Accountability) | 1.5 | 1.5 | 1.5 | 1.5 | 1.6 | 16 | 2016 |
| Worldwide governance indicators (Political Stability and Absence of Violence) | 1.0 | 1.0 | 0.8 | 1.0 | 1.2 | 16 | 2016 |
| Worldwide governance indicators (Government Effectiveness) | 1.8 | 1.8 | 1.9 | 1.8 | 1.9 | 16 | 2016 |
| Worldwide governance indicators (Regulatory Quality) | 1.8 | 1.9 | 1.6 | 1.8 | 1.7 | 16 | 2016 |
| Worldwide governance indicators (Rule of Law) | 2.0 | 2.0 | 1.9 | 2.0 | 2.0 | 16 | 2016 |
| Basel AML index | 3.6 | 4.2 | 4.1 | 3.0 | 4.6 | 16 | 2017 |
| G: Growth | | | | | | | |
| Adult participation rate in learning (25-64 yrs, education or training in the last 4 weeks), % | 20.9 | 30.0 | 27.3 | 27.2 | 20.2 | 4 | 2017 |
| Early leavers from education and training (% of 18-24) | 5.3 | 7.6 | 8.4 | 8.0 | 10.9 | 4 | 2017 |
| Employment rate (20-64 yrs), % | 76.6 | 81.8 | 76.9 | 74.2 | 78.3 | 8 | 2017 |
| Low achievers in basic skills, % of 15-year olds | 14.4 | 20.3 | 14.8 | 12.1 | 16.9 | 4 | 2015 |
| NEET (not in education, employment or training) rate, 15-24 | 6.2 | 6.2 | 7.0 | 9.4 | 4.6 | 8 | 2017 |
| R&D expenditure, % of GDP | 2.9 | 3.3 | 2.9 | 2.8 | 2.0 | 9 | 2016 |
| Tertiary educational attainment (% of 30-34 population) | 52.3 | 51.1 | 48.6 | 45.3 | 49.2 | 4 | 2017 |
| Share of high-tech exports in total exports, % | 20.5 | 13.5 | 10.7 | 7.0 | 19.3 | 9 | 2016 |
| Number of patent applications, residents (per 1000 persons) | 0.24 | 0.20 | 0.27 | 0.23 | 0.23 | 9 | 2016 |
| Households - level of internet access, % | 91.3 | 94.0 | 94.0 | 92.0 | 97.0 | 9 | 2017 |
| Old-age dependency ratio, % | 20.3 | 31.6 | 29.7 | 33.2 | 25.4 | 8 | 2017 |
| Participation rate for 50-64 yrs, % | 75.4 | 84.6 | 77.4 | 76.1 | 76.7 | 8 | 2017 |

Source: Swedbank Macro Research, Macrobond, Eurostat, World Bank, European Institute for Gender Equality, Basel, Transparency International.

Appendix 3

List of indicators, progress towards UN SDGs (% of the benchmark)

| | % of benchmark | | | | SDG | Latest available data |
|-------------------------------------------------------------------------------------------------|----------------|-----|-----|-----|-----|-----------------------|
| | SE | DK | FI | NO | | |
| E: Environment | 83 | 79 | 68 | 72 | | |
| Energy intensity (energy consumption, % of GDP) | 77 | 100 | 49 | 100 | 7 | 2016 |
| GHG emissions intensity of consumption (emissions per consumption unit) | 94 | 100 | 100 | 83 | 12 | 2015 |
| Resource productivity (GDP per domestic material consumption) | 49 | 48 | 31 | 44 | 12 | 2016 |
| Share of renewable energy in gross final energy consumption, % | 100 | 94 | 100 | 100 | 7 | 2016 |
| Share of the population connected to at least secondary urban wastewater treatment, 2005-15 (%) | 91 | 95 | 87 | 69 | 6 | 2013 (LV, FI) - 2015 |
| GHG emissions per capita (CO2 equivalent) | 100 | 66 | 56 | 55 | 13 | 2015 |
| Material recycling, % of municipal generated waste | 91 | 89 | 78 | 71 | 11 | 2016 |
| Rooms per person | 84 | 94 | 94 | 100 | 11 | 2016 (DK, LV 2017) |
| Air pollution, nitrogen oxides (kg per capita) | 94 | 62 | 49 | 43 | 11 | 2015 |
| Generation of waste, tonnes per capita | 52 | 56 | 39 | 53 | 12 | 2014 |
| GHG emissions (non-traded), % of national target | 76 | 75 | 65 | 58 | 13 | 2016 |
| S: Social | 89 | 81 | 91 | 91 | | |
| Gini index | 91 | 91 | 99 | 100 | 10 | 2016-2017 |
| Severe material deprivation rate, % | 100 | 80 | 100 | 100 | 1 | 2016-2017 |
| Risk-at-poverty rate, % (after social transfers) | 76 | 99 | 100 | 100 | 1 | 2016-2017 |
| Maternal mortality ratio, deaths per 100000 live births | 93 | 62 | 100 | 74 | 3 | 2015 |
| Healthy life years at birth /women | 100 | 92 | 92 | 100 | 3 | 2015 |
| Healthy life years at birth/ men | 100 | 85 | 83 | 100 | 3 | 2015 |
| Income quintile ratio S80/S20 | 84 | 88 | 100 | 97 | 10 | 2016-2017 |
| Share of women in national parliaments, % | 100 | 95 | 100 | 100 | 5 | 2017 |
| Share of women in the boards etc, % | 100 | 100 | 100 | 100 | 5 | 2017 |
| Gender pay gap, % (unadjusted) | 46 | 41 | 35 | 41 | 5 | 2016 |
| G: Governance | 97 | 94 | 91 | 99 | | |
| Official development assistance, % of gross national income | 100 | 96 | 56 | 100 | 17 | 2016 |
| Transparency International corruption perceptions index | 97 | 100 | 99 | 99 | 16 | 2017 |
| Worldwide governance indicators (Voice and Accountability) | 97 | 95 | 96 | 100 | 16 | 2016 |
| Worldwide governance indicators (Political Stability and Absence of Violence) | 94 | 81 | 92 | 100 | 16 | 2016 |
| Worldwide governance indicators (Government Effectiveness) | 99 | 100 | 100 | 100 | 16 | 2016 |
| Worldwide governance indicators (Regulatory Quality) | 100 | 87 | 100 | 93 | 16 | 2016 |
| Worldwide governance indicators (Rule of Law) | 100 | 96 | 100 | 100 | 16 | 2016 |
| Basel AML index | 85 | 100 | 85 | 100 | 16 | 2017 |
| G: Growth | 87 | 91 | 83 | 88 | | |
| Adult participation rate in learning (25-64 yrs, education or training in the last 4 weeks), % | 100 | 100 | 100 | 97 | 4 | 2017 |
| Early leavers from education and training (% of 18-24 population), % | 69 | 63 | 66 | 48 | 4 | 2017 |
| Employment rate (20-64 yrs), % | 100 | 100 | 97 | 100 | 8 | 2017 |
| Low achievers in basic skills, % of 15-year olds | 71 | 97 | 100 | 85 | 4 | 2015 |
| NEET (not in education, employment or training) rate, 15-24 yrs | 100 | 89 | 66 | 100 | 8 | 2017 |
| R&D expenditure, % of GDP | 100 | 98 | 94 | 69 | 9 | 2016 |
| Tertiary educational attainment (% of 30-34 population) | 98 | 93 | 87 | 94 | 4 | 2017 |
| Share of high-tech exports in total exports, % | 63 | 69 | 37 | 85 | 9 | 2016 |
| Number of patent applications, residents (per 1000 persons) | 84 | 100 | 94 | 96 | 9 | 2016 |
| Households - level of internet access, % | 100 | 100 | 100 | 100 | 9 | 2017 |
| Old-age dependency ratio, % | 64 | 68 | 61 | 80 | 8 | 2017 |
| Participation rate for 50-64 yrs, % | 100 | 100 | 100 | 100 | 8 | 2017 |

Traffic lights - Nordics: >90% for green, 70-90% for yellow, Baltics: >80% for green, 60-80% for yellow.

Source: Swedbank Macro Research.

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