

Nordic Economies Navigate Global Shocks: Defense Spending Surges, Green

Nordic Economies · Answer Key · 12 Questions

1. In response to heightened geopolitical tensions and the conflict in Ukraine, which two Nordic countries significantly boosted their defense spending in late 2024, with Norway increasing its budget by 70% since 2021 and Sweden planning to raise its defense spending to 2.6% of GDP by 2028?

- A) Norway and Sweden**
- B) Finland and Denmark
- C) Iceland and Sweden
- D) Norway and Finland

2. Which Nordic country is on track to achieve 100% renewable electricity generation by 2026, a milestone driven by policies aligning government incentives, private investment, and citizen participation, particularly in wind energy?

- A) Denmark**
- B) Sweden
- C) Norway
- D) Finland

3. Amidst global economic uncertainty and trade disruptions, what is the projected trend for fiscal and monetary policies across the Nordic economies in 2025, according to Oxford Economics?

- A) Significant monetary policy easing and sizeable fiscal loosening**
- B) Tightening monetary policy and fiscal austerity
- C) Maintained interest rates with moderate fiscal stimulus
- D) Increased taxes and reduced government spending

4. The recent imposition of US tariffs and increased geopolitical uncertainty have led to a reassessment of global trade. How have the Nordic economies, despite being export-dependent, generally responded to these rising trade barriers and increased tariffs, as of early 2026?

- A) They have experienced only a limited impact, with businesses adjusting well to the changes.**
- B) They have faced severe economic contraction due to export market disruptions.
- C) They have retaliated with significant counter-tariffs, impacting intra-Nordic trade.
- D) They have largely shifted their trade focus away from the US and UK markets.

5. In 2025, Sweden's Riksbank maintained its policy rate unchanged at 1.75% for its sixth consecutive meeting. What were the primary reasons cited for this extended pause, following cumulative cuts since May 2024?

A) Low inflation remaining below the 2.0% target and muted economic activity, despite risks from the Middle East conflict.

- B) Rising inflation due to the Middle East conflict, necessitating a rate hike.
- C) Strong economic growth and increased consumer confidence.
- D) A need to align interest rates with a rapidly appreciating krona.

6. The Nordic countries have agreed to cooperate on mapping trade flows and addressing global supply chain risks to food supplies. This initiative, stemming from the Karlstad Declaration in June 2024, acknowledges a critical regional vulnerability. What is this primary vulnerability?

A) High dependency on global trade.

- B) A lack of advanced agricultural technology.
- C) Insufficient domestic production capacity for key goods.
- D) Over-reliance on a single trading partner.

7. As of early 2026, global defense spending has continued to grow. Nordic countries, including Denmark, Finland, Norway, and Sweden, reached a combined spend of USD 53.7 billion in 2025. This figure represents what level of increase compared to 2020?

A) More than double 2020 levels.

- B) Approximately 50% higher than 2020 levels.
- C) On par with 2020 levels.
- D) A decrease of 20% compared to 2020 levels.

8. Despite challenges such as volcanic activity, Iceland's tourism sector showed a strong recovery. Preliminary data suggests tourist arrivals remained unchanged year-on-year in 2025, with visitors tending to stay longer and spend more. What is the estimated number of international tourists visiting Iceland in 2025?

A) Approximately 2.6 million

- B) Approximately 1.5 million
- C) Approximately 3.0 million
- D) Approximately 2.0 million

9. Sweden has one of the highest carbon taxes globally, set at SEK 1,510 per tonne of CO2 in 2025. What is the primary economic effect of such a policy, as indicated by Nordic energy transition strategies?

A) Significantly incentivizing low-carbon technologies and discouraging fossil fuel use.

- B) Increasing the cost of renewable energy production.
- C) Reducing overall energy consumption without promoting alternatives.
- D) Leading to a significant increase in energy imports.

10. In Norway, the government expects significantly higher revenue from oil and gas production in 2026 due to increased energy prices driven by the Iran war. How is this windfall revenue intended to be managed by the government?

- A) Added to its sovereign wealth fund.**
- B) Used for immediate domestic tax cuts.
- C) Distributed as direct payments to citizens.
- D) Invested in expanding fossil fuel infrastructure.

11. According to SEB's macroeconomic report 'Nordic Outlook' in May 2025, what is the projected annual global GDP growth for 2025 and 2026, influenced by the new US administration's aggressive trade policy?

- A) Less than 3 per cent.**
- B) Approximately 4 per cent.
- C) Around 2 per cent.
- D) More than 5 per cent.

12. In response to global trade tensions and geopolitical uncertainty, a study funded by the Nordic Council of Ministers highlighted shared vulnerabilities among Nordic countries. What is identified as a primary source of intermediate goods for most Nordic countries?

- A) Other European countries.**
- B) The United States.
- C) China.
- D) Intra-Nordic trade only.