SECTOR COMMENT

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Nordic corporates well prepared for improving demand in 2026

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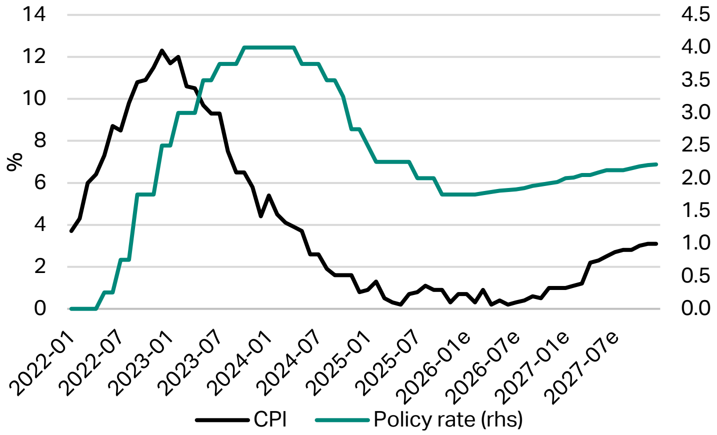
Nordic Credit Rating (NCR) holds a somewhat positive outlook for Nordic corporates in 2026, supported by expectations of persistently low interest rates and improving consumer confidence. After a period of constrained spending, both consumers and businesses are expected to increase consumption, in particular of discretionary products and services like automotive, apparel, furniture and home improvements. We also believe companies will continue to invest in cybersecurity as well as in AI adoption. Across Europe, all nations have raised their military budgets and are investing in defence and security as a response to heightened geopolitical uncertainty. As a result, we expect large private and public investments in these areas, as well as infrastructure, through 2026 and beyond.

Corporates' financial health remains sound in our view, as many companies have prioritised financial strength and efficiency improvements. With robust balance sheets, maintained low interest rates and good access to capital, we expect M&A activity and growth-oriented spending to gradually increase in 2026.

KEY CREDIT THEMES FOR NORDIC CORPORATES IN 2026

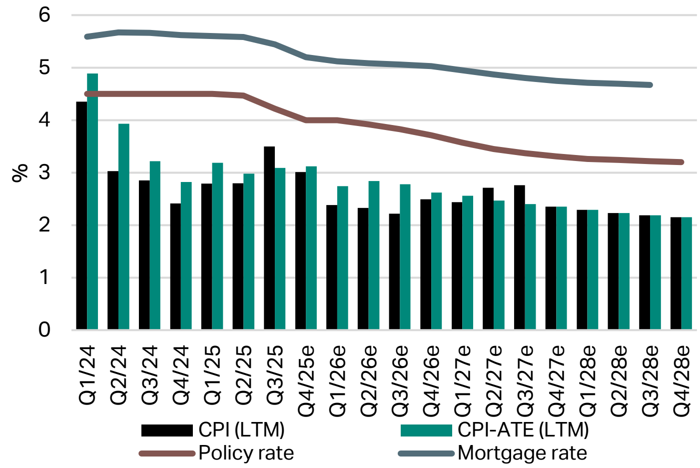
- Stronger economic growth expected to increase household, public and business spending, thereby supporting demand of corporates products and services.
- Increased military and security spending across Europe to build up defence and cybersecurity capacity in the Nordics and Europe will continue to bolster defence-related suppliers through 2026.
- Investment climate expected to heat-up with continued low interest rates and a built-up need after a period of lower investment activity, including of M&A related transactions.

Figure 1. Swedish inflation and central bank interest rate, 2022-2027e



Source: SCB and Nordea. CPI–Consumer price index. Swedish central bamk policy rate. e–estimate.

Figure 2. Norwegian inflation and interest rates, 2024–2028e

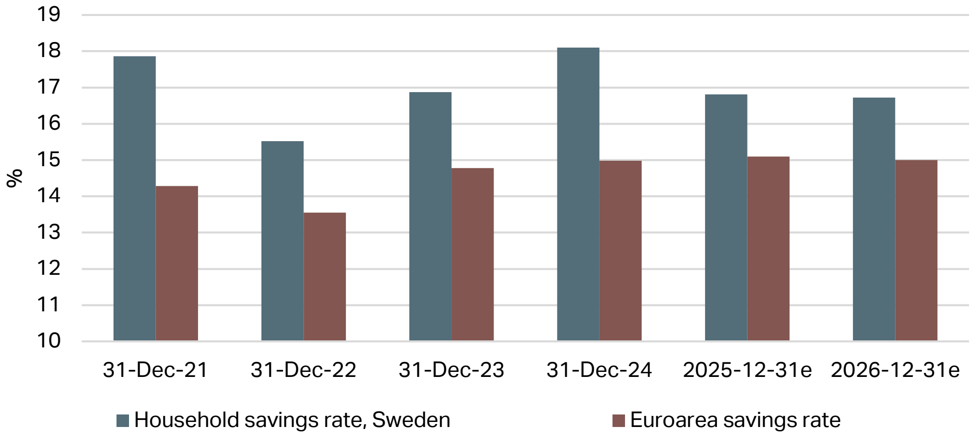


Source: central bank. e–estimate. CPI–consumer price index. LTM–last 12 months. ATE–adjusted for tax changes and excluding energy products.

CONSUMER AND PUBLIC SPENDING TO GROW FROM PENT UP DEMAND

We expect consumers to be more likely to increase their spending after several years of reacting to high interest rates, inflation and rising unemployment. Swedish households have held on to their disposable income and increased savings. As household incomes rise due to ongoing salary growth, lower taxes and relatively low interest rates, we anticipate higher consumption and discretionary spending. A recovery in housing transactions may also support increased demand for furniture and other home improvement-related discretionary purchases.

Figure 3. Swedish household savings rates vs Euro-area savings rates, 2021-2026e



Based on Trading economics. e–estimate.

In Norway, consumer confidence and economic growth weakened during 2025, with mainland GDP growth slowing in the second half of the year. Business sentiment also remains subdued. The construction sector has been weak for an extended period, and recent surveys indicate rising pessimism in the manufacturing, offshore, logistics and certain consumer-related sectors. Norway's central bank maintained a tight monetary stance, lowering the interest rate for the first time in July and again in September to 4%. However, rates remain elevated and we expect one cut in 2026 and another in 2027. Together with continued strong wage growth, this should support a recovery in consumer confidence and business sentiment in the second half of 2026 and into 2027.

Within sectors, we expect oil investments to taper off from very high levels since 2022 while we expect increasing need for military capacity and investments in new technology and the power sector to compensate somewhat.

We see increasing demand across the Nordic region for public infrastructure investments, including of electricity and grid capacity, transport, and other public utilities, which could drive activity for many companies. Among NCR-rated government-related companies, AB Transitio may participate in projects to further expand Sweden's railway networks. One ongoing project is the construction of Uppsala's first tramline, with deliveries and testing of rolling stock scheduled for 2028. In Norway, VEAS Selvkost AS and Vegamot AS may see investments by their respective owners in wastewater treatment in the Oslo region or road improvements in Trøndelag and Møre og Romsdal counties. Both companies are not-for-profit and have full coverage of operating costs and investments. Such potential projects could have spillover effects for construction and other suppliers in local economies.

We also expect continued high investment in AI-related infrastructure. Most notable is the construction of data centres. The Nordic region has been identified as offering low energy costs, which initially supports the construction, real estate and technical equipment sectors. We also see companies in search for AI related opportunities, investing in needed capacity and measures to ensure cybersecurity across their operations. This requires investment in complex technology solutions, including upgrades to IT infrastructure, software and cloud capacity. The IT infrastructure market has grown at an average rate of 7% per year over the past decade, and we expect similarly robust growth in 2026-2028. We see NCR-rated companies Atea ASA and Nordic Semiconductor AS as likely beneficiaries.

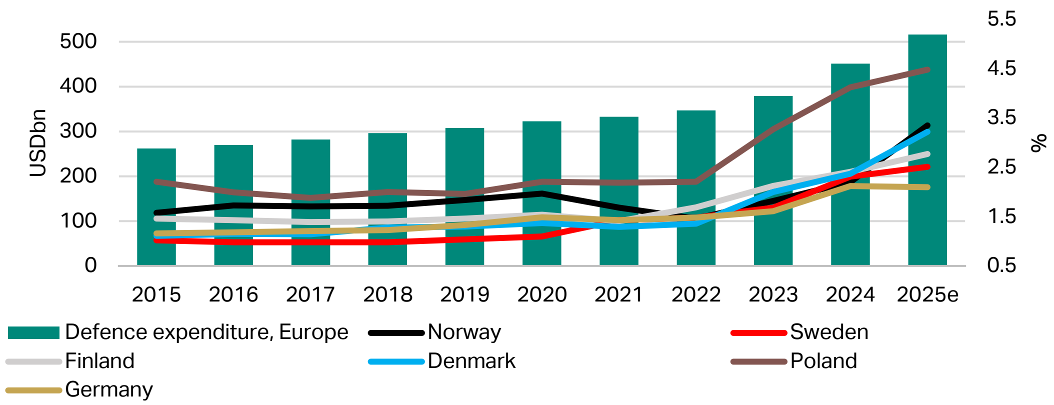
While AI investments are expected to deliver significant efficiency gains, they are costly for companies and may contribute to higher electricity prices, potentially driving cost inflation. Over a longer time horizon, AI is also likely to affect employment, perhaps in a negative direction and consequently, consumers well-being and disposable incomes.

Looking ahead to 2026, we do not anticipate impacts from high US tariffs on imports to worsen beyond current levels. We believe the full effect has yet to materialise however, given implementation delays and inventory build-up prior to the tariffs taking effect. The impact on consumers has also been mitigated as importers have delayed passing on higher costs. However, European and Nordic manufacturers and exporters still face approximately 15% additional charges, negatively affecting their margins and competitiveness. The tariffs have already influenced trade flows, with global exporters redirecting shipments from the US to Europe and other regions, and this in turn shifts supply and demand patterns in multiple sectors.

RISING EXPENDITURE TO SAFEGUARD EUROPEAN DEFENCE

With the Russian war against Ukraine and pressure from the US, Europe has over the last four years increased its defence spending. We expect this to grow further in 2026 and beyond as European countries gradually progress toward spending up to 3.5% of their GDP on defence by the end of the decade. With Finland and Sweden joining NATO in 2023 and 2024 their respective spending has picked up considerably Sweden now targets 2.8% of GDP for 2026, up from 1%. Finland, which started at just below 1.5% in 2015, now targets 3% by 2029. Of the total spending, some 20%-50% relates to major equipment, fulfilling the NATO target of at least 20%, while the remainder is personnel, infrastructure and operations/maintenance. The type of spending varies between countries, with newer NATO members investing more in equipment (46% for Finland but only 20% for Denmark).

Figure 4. European defence expenditure and countries' defence expenditure as share of GDP (rhs) 2015-2025e



Source: Nato and NCR data. e–estimate.

We expect continued strong demand growth for Nordic defence providers like Kongsberg Defence & Aerospace (a part of Kongsberg Gruppen ASA), BAE Systems, SAAB, Patria and Nammo. For these companies, order backlogs have reached record levels in recent years, as have revenues and, in most cases, earnings. However, cash flows have sometimes lagged owing to extended payment terms, supply chain disruptions, or capacity constraints affecting deliveries. We expect continued strong growth for the sector as European nations increase spending to address regional security concerns.

COMPANY INVESTMENTS AND M&A EXPECTED TO INCREASE

Supported by strong access to capital and sustained low interest rates through 2026, we expect Nordic companies to increasingly prioritise growth, both through higher internal capital expenditure and acquisitions. Other companies may focus on streamlining operations, with increased M&A activity presenting good opportunities for divestment of non-core businesses.

Over the past two years, acquisitions have involved insurance and financial services consolidation in 2024, and broadened in 2025 to include media and entertainment, health tech, infrastructure, and social property portfolios. There has also been significant activity in the agriculture/food sectors.

In our rated universe, we have recently observed increased activity among corporates. Norwegian food and consumer retailer Norgesgruppen AS recently acquired two pharmacy chains, expanding its portfolio into the stable pharmacy segment. Nordic Semiconductor ASA made an acquisition that was mainly financed with new equity.

As an alternative to M&A, we note Kongsberg Gruppen's plan for a separate listing of its maritime business. Both the maritime and the defence/security related segments have experienced strong growth but serve distinct customer bases with different market fundamentals. Kongsberg Maritime has long operated independently, has limited synergies to the rest of Kongsberg and is now considered sufficiently strong to operate on a standalone basis. As such, it will be a separately listed company in 2026 and we expect it to pursue further growth, reinforcing its already strong position in maritime technology.

Swedish forestry cooperative Södra Skogsägarna plans to sell its forestland in the Baltic states, in line with its strategy for owners to hold forestland while the company sources raw material from them rather than owning land directly. The sale will release significant capital, which may be used for ongoing capex, a one-off dividend, or potential acquisitions.

Overall, we expect M&A activity to increase in 2026 following a period of lower volumes. Improved financing conditions are likely to support this trend, alongside strong interest from private equity and other global investors seeking growth markets. The Nordic region remains attractive to international investors pursuing high-growth assets, offering a diverse industry base across healthcare, technology, transport, industrials, life science and medtech. In Norway, activity may also occur in the oil and gas sector, which is facing lower oil prices and the expiration of earlier tax benefits.

SUMMARY

With an expected improvement in consumer sentiment in Sweden, and to some extent also in Norway, we anticipate increased demand for both consumables and discretionary products and services. Continued spending in defence, technology and infrastructure by both private and public sectors is also expected. These factors should support sustained demand for the corporates we rate, all of which have investment grade or near-investment grade ratings and with most assigned a Stable outlook.

Corporates with the highest ratings – Veas Selvkost ('AAA'), Vegamot ('AA') and AB Transitio (AA-) - all benefit from strong public support for local infrastructure and their ratings are supported by public ownerships. Mail and logistics provider PostNord AB ('A') benefits from its combined Swedish and Danish government support, as does defence and maritime company Kongsberg (A-, 50% owned by the Kingdom of Norway which is also a major customer). Veas Selvkost's rating is on negative outlook due to Oslo Municipality, its largest owner, increasing its debt uptake which could, if not stabilised, affect our credit assessment of the owner.

Other highly rated companies include privately-owned Jotun AS and Norgesgruppen AS (both 'A-'), with strong market positions in the paint and grocery sectors, respectively. Jotun's more volatile business profile is offset by low financial risk and a growing net cash position. Also, for Atea ('BBB+') and Nordic Semiconductor ('BBB-'), we see more cyclical business risks being mitigated by strong balance sheets and conservative risk appetites.

We have Kongsberg on Watch Developing, pending the final capitalisation of the remaining Kongsberg ASA following the spin-off of its maritime business. NorgesGruppen's 'A-' rating remains on negative outlook due to the potential negative impact on its credit metrics following the recent acquisition of two pharmaceutical chains in Norway.

NCR-RATED CORPORATES

The following table summarises NCR's ratings on Norwegian and Swedish corporate issuers as of 13 Jan. 2026.

Figure 4. NCR ratings on Nordic Corporates

Issuer	Category	Long-term issuer rating	Outlook
AB Transitio	Infrastructure	AA-	Stable
Atea ASA	It Provider	BBB+	Stable
Elopak ASA	Packaging	BBB-	Stable
Jotun A/S	Paints And Coating	A-	Stable
Kongsberg Gruppen ASA	Defence, Maritime	A-	Watch Developing
Nordic Semiconductor ASA	Technology	BBB-	Stable
NorgesGruppen ASA	Grocery Retail	A-	Negative
Nortura SA	Food Producer	BB+	Positive
PostNord AB	Mail And Logistics	A	Stable
Södra Skogsägarna Ek. För.	Forestry, Pulp, Wood	BBB+	Stable
Veas Selvkost AS	Infrastructure	AAA	Negative
Vegamot AS	Infrastructure	AA	Stable

See NCR's company reports for details.

RECENT RATING ACTIONS

(i) NorgesGruppen ASA outlook revised to negative, 'A-' long term issuer rating affirmed, 7 Aug. 2025
(ii) Veas Selvkost AS outlook revised to negative, 'AAA' long term issuer rating affirmed, 9 Sep. 2025
(iii) Kongsberg Gruppen ASA 'A-' long term issuer rating placed on watch developing, 31 Oct. 2025

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NORDIC CREDIT RATING AS

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