

Norwegian economy

Following two quarters of close to trend growth, output growth in mainland Norway weakened again in the third quarter. According to the quarterly national accounts, mainland GDP (seasonally adjusted and measured from the previous quarter) rose by 0.3 per cent, compared with 0.7 and 0.5 per cent respectively in the previous two quarters. Traditional exports of goods fell by as much as 5.2 per cent, and mainland investment also showed a marked decline of 2.6 per cent. The effect on production growth in the third quarter was curbed by a decline of 3.4 per cent in traditional imports of goods. Even though output growth moved on a downward trend, the growth path

has nevertheless been revised up to some extent compared with the previous report. The upward revision primarily relates to mainland investment, which now shows a contraction through the summer half-year while this component previously showed a fall through the first half of the year. Moreover, petroleum investment now shows steadier growth over the past year than in the previous report, generating a somewhat stronger contribution to growth. Whereas household consumption, etc. showed growth that was lower than growth in mainland GDP through the summer, growth in general government consumption was higher.

Macroeconomic indicators 1999-2001

Growth from previous period unless otherwise noted. Per cent

			Seasonally adjusted			
	1999	2000	00.4	01.1	01.2	01.3
Demand and output						
Consumption in household and non-profit organizations	2.2	2.4	-0.6	2.1	0.2	0.3
General government consumption	3.3	1.4	0.5	0.6	0.4	0.5
Gross fixed investment	- 8.2	-1.1	-0.8	4.4	-5.6	-2.9
- Mainland Norway	- 2.6	1.4	2.5	0.5	-1.4	-2.6
- Petroleum activities ¹	- 19.9	-17.1	-2.4	2.7	3.2	0.2
Final domestic demand from Mainland Norway ²	1.5	1.9	0.2	1.4	0.0	-0.2
Exports	2.8	2.7	4.2	1.6	-1.9	1.5
- Crude oil and natural gas	- 0.1	6.4	6.0	2.3	-5.9	6.1
- Traditional goods	3.2	2.1	0.2	5.4	-0.5	-5.2
Imports	- 1.6	2.5	-1.7	3.7	-2.0	-2.1
- Traditional goods	- 1.3	1.7	-1.1	3.0	1.8	-3.4
Gross domestic product	1.1	2.3	0.1	0.6	0.3	0.9
- Mainland Norway	1.0	1.8	-0.4	0.7	0.5	0.3
Labour market³						
Man-hours worked	0.2	- 0.8	-1.0	1.4	1.1	-0.5
Employed persons	0.6	0.5	0.2	0.2	0.2	-0.4
Labour force	0.5	0.8	0.3	0.1	0.1	-0.2
Unemployment rate, level ⁴	3.2	3.4	3.6	3.4	3.4	3.6
Prices						
Consumer price index (CPI) ⁵	2.3	3.1	3.1	3.6	4.0	2.6
CPI excl. energy products and changes in indirect taxes ⁵	..	..	2.6	2.8	2.6	2.4
Export prices, traditional goods	0.0	13.8	1.5	-2.5	-1.1	-1.9
Import prices, traditional goods	- 2.3	6.0	0.8	2.9	-1.2	-3.6
Balance of payment						
Current balance, bill. NOK	48.8	203.6	66.3	62.3	56.1	56.9
Memorandum items (Unadjusted, level)						
Money market rate (3 month NIBOR)	6.5	6.8	7.5	7.4	7.5	7.3
Average borrowing rate	8.4	8.1	8.7	8.9	8.9	8.7
Crude oil price NOK ⁶	141.6	252.0	277.8	229.4	250.1	228.3
Importweighted krone exchange rate, 44 countries, 1997=100	101.0	103.6	103.6	102.2	100.8	99.6
NOK per ECU/euro	8.31	8.11	8.04	8.20	8.01	8.01

¹ Figures for petroleum activities now covers the sectors oil and gas extraction proper, transport via pipelines and service activities incidental to oil and gas extraction.

² Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.

³ Figures for 1999 and 2000 are from national accounts. The quarterly figures are from Statistics Norway's Labour force survey (LFS), since the new quarterly national accounts series for employment are too short for seasonal adjustment.

⁴ According to Statistics Norway's labour force survey (LFS).

⁵ Percentage change from the same period the previous year.

⁶ Average spot price, Brent Blend.

Sources: Statistics Norway and Norges Bank.

At the moment there are two factors in particular that are influencing developments in the Norwegian economy. One factor is a somewhat more expansionary fiscal policy with the use of the expected return on the Government Petroleum Fund, and the second is weaker developments in the global economy. The more expansionary fiscal policy has contributed to increasing the possibility of a demand-driven rise in inflation in Norway. This has prompted Norges Bank (Central Bank of Norway) to maintain high interest rates even though interest rates among our trading partners have fallen. Despite a substantial decline in oil prices this autumn, the high level of interest rates in Norway has contributed to maintaining a strong krone. The second factor relates to the terror attacks in the US on 11 September and subsequent military action, which have amplified an international cyclical downturn that was already under way. This has resulted in a fall in both the volume and prices of traditional Norwegian exports.

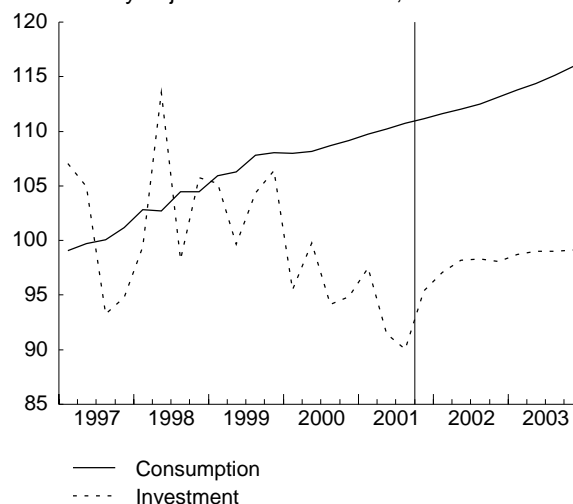
The outlook for the global economy is now perceived as considerably more uncertain than earlier and the possibilities for stimulating growth through a more expansionary monetary policy is being put to a test in many countries. Recently, Norway has also recorded an increase in unemployment which, combined with weak profitability in internationally exposed sectors and low imported price inflation, points to a reduction in underlying price inflation in the period ahead. In view of the change in the international outlook and the prospect of lower domestic inflation, it is now more likely that the contractionary monetary policy in Norway will be revised and that Norwegian interest rates will also fall to a greater extent in the period ahead than assumed earlier.

Fiscal policy – lower taxes

Whereas in the previous report, which was published before the general election, we had to make assumptions concerning the fiscal policy stance in 2002, we can now apply the current Government's budget as presented in a supplementary proposition (Proposition no. 1 to the Storting, Supplement no. 4). The approved government budget is drawn up in line with the new guidelines for fiscal policy as presented in Report no. 29 to the Storting (2000-01). As a result of high oil prices in 2000 and well into 2001, the Government Petroleum Fund has reached a considerable size, thereby permitting a deficit in the non-oil structural budget balance of about NOK 26 billion in 2002, a budget weakening of a good NOK 7 billion compared with this year's budget. Even though fiscal policy shall continue to be oriented with a view to stabilizing cyclical fluctuations, it is reasonable to assume, based on the approved fiscal stimulus and high level of Norwegian interest rates, that a further cyclical stimulus will initially be transmitted through lower interest rates.

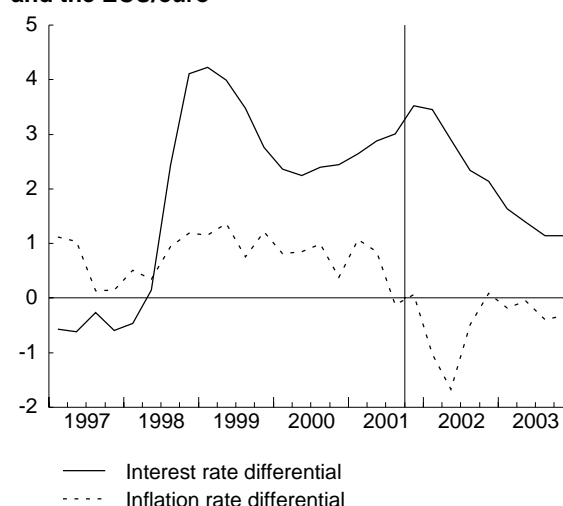
General government

Seasonally adjusted volume indices, 1997=100



Source: Statistics Norway.

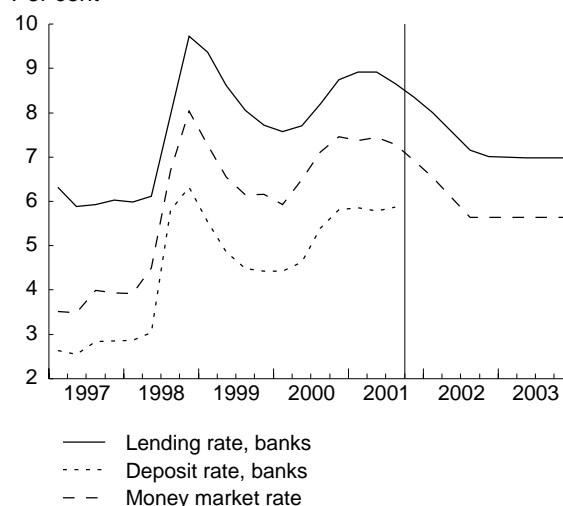
Interest rate and inflation differential between NOK, and the ECU/euro



Sources: Norges Bank and Statistics Norway.

Lending rate and deposit rate

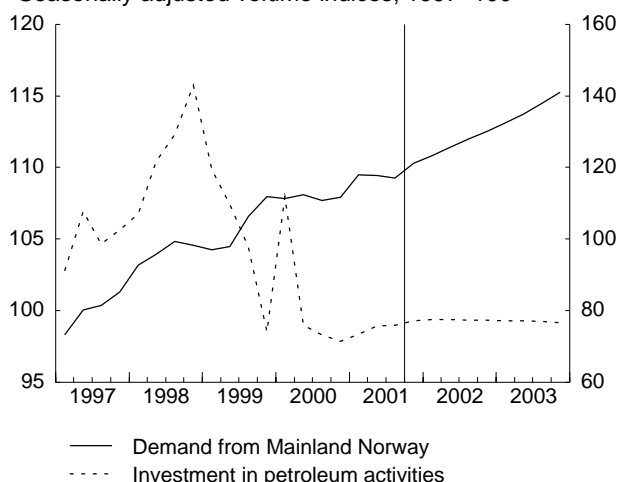
Per cent



Sources: Norges Bank.

Demand from Mainland Norway and investment in petroleum activities

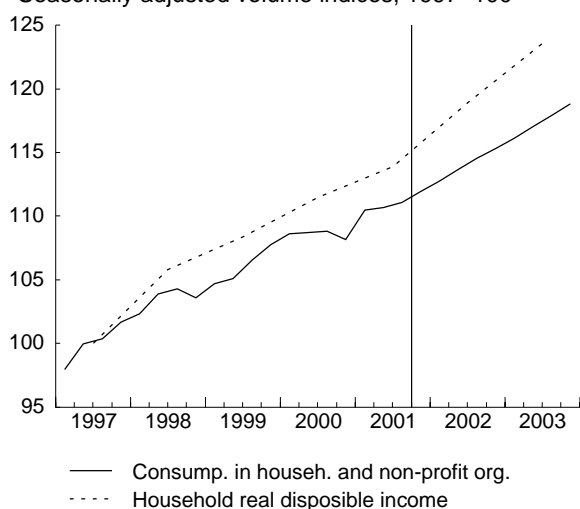
Seasonally adjusted volume indices, 1997=100



Source: Statistics Norway.

Income and consumption in households

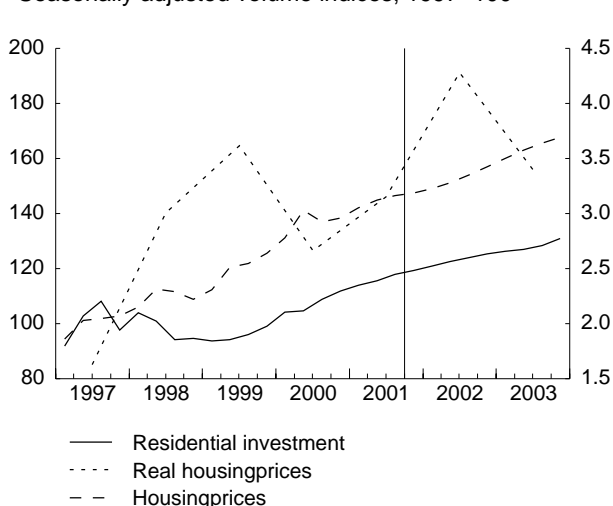
Seasonally adjusted volume indices, 1997=100



Source: Statistics Norway.

Residential investment and housing prices

Seasonally adjusted volume indices, 1997=100



Source: Statistics Norway.

In the budget for 2002, a large portion of the increased fiscal policy leeway is used to reduce taxes. This is partly accomplished through a continuation of approved reforms from 2001 and partly through new reductions in the direct taxation of individuals and enterprises in addition to a further reduction in indirect taxes. General government expenditure for consumption and fixed capital formation is assumed to increase by about 2 per cent and thereby somewhat less than projected underlying mainland GDP growth. For 2003, we have assumed for the purpose of our forecasts that the increased fiscal policy leeway is used to reduce excise duties. With a somewhat lower oil price next year than in 2001, the agreed guidelines will provide scope for a further budget weakening of a good NOK 6 billion from 2002 to 2003. The removal of the investment tax with effect from 1 October 2002, which on an annual basis entails a direct budget weakening of about NOK 6 billion, will primarily affect the government budget in 2003 and thus, along with other budget resolutions with a carry-over into 2003, will provide little scope for a further weakening of the budget. Hence, no reductions in personal taxes have been assumed, although our forecasts incorporate the assumption that excise duties, excluding the investment tax, will be reduced by about NOK 2 billion from 2002 to 2003.

General government expenditure on goods and services is assumed to expand at about the same rate in 2003 as in 2002. The current Government has indicated that the production of services that traditionally have been produced in the public sector should to a greater extent than earlier be based on competition between private and public sector operators. As long as the public sector pays for the services, however, these will be classified as consumption in general government according to the national accounts. The difference in relation to the current distribution between the private and public sector will only be that general government consumption will to a greater extent consist of expenditure on goods and services and not labour and capital costs. If, on the other hand, tax reductions leave it up to households to purchase health, care and education services, the national accounts will record this as consumption in households.

Production in the general government sector is calculated on the basis of man-hours worked. Fewer working days due to public holidays in 2001 and 2003, along with an increase in vacation days in 2001 and 2002, will contribute to lower growth in general government production and general government consumption than the level implied by developments in the number employed in the sector.

Strong krone and lower interest rates

It appears that the import-weighted krone exchange rate will show an appreciation of about 3 per cent from 2000 to 2001, particularly as a result of the de-

preciation of the Swedish krona and a weak euro. The Norwegian krone has been fairly stable against the US dollar through 2001 and only marginally weaker than in 2000. A stronger krone exchange rate has not been seen since 1997. We have thus recorded a considerable nominal appreciation, particularly from 1999 and to the end of the third quarter of 2001. The real appreciation has been even greater as price inflation has been higher in Norway than among our trading partners in these years.

As usual, we base our projections for the next two years on exchange rate estimates from Consensus Forecasts. The interest rate differential against the euro area is assumed to narrow. This is part of the reason for assuming a depreciation of the Norwegian krone against the euro over the next two years. The import-weighted krone exchange rate will therefore on the whole depreciate by one percentage point in the two-year period.

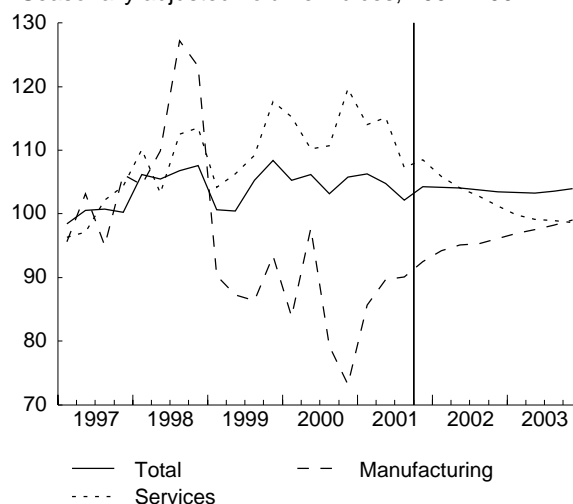
Central banks throughout the world have reduced their key rates in 2001. So far this year, Norges Bank has not changed interest rates. The interest rate differential against the euro area is now about 3 percentage points. With such a wide interest rate differential and the outlook for lower growth in the Norwegian economy than assumed earlier, it is likely that Norges Bank will reduce its key rates soon. Market participants also seem to have the same expectations. Our projections are now based on the assumption that Norges Bank will reduce its rates by almost 1.5 percentage points in the period ahead and through 2002. In keeping with our assessment of the timing for a resumed upswing in the global economy, we assume that euro rates will edge up towards the end of next year. For 2003, our projections therefore imply that the interest rate differential between Norway and the euro area will be reduced from about 3 to a good 1 percentage point. Compared with our estimates in the previous report at the beginning of September, our projections for nominal Norwegian money market rates are reduced by half a percentage point in 2002 and $\frac{3}{4}$ percentage point in 2003. According to our calculations, this is compatible with the inflation target of monetary policy.

No strong growth impetus from petroleum activities

It appears that oil production will expand fairly moderately from 2000 to 2001, while gas production is expected to increase by a good 5 per cent. In 2002, gas production is expected to rise by as much as 10 per cent, while oil production is projected to increase by about 2 per cent. It is uncertain how long the approved oil production cuts will last. This depends on developments in the price of crude oil. If the oil price is again within OPEC's targeted range, it is likely that both OPEC and the countries that are now cutting production in consultation with OPEC will increase

Investment, Mainland Norway

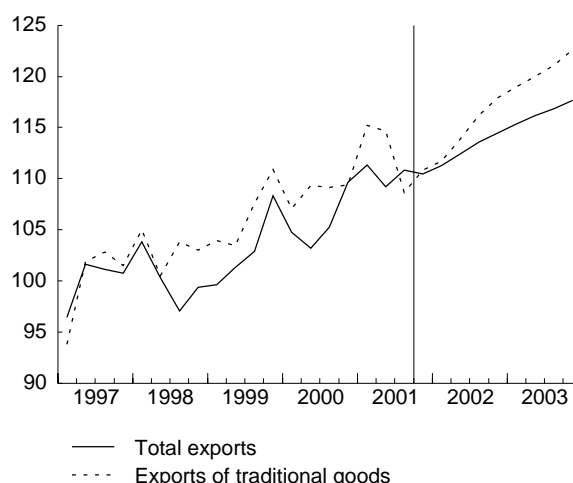
Seasonally adjusted volume indices, 1997=100



Source: Statistics Norway.

Exports

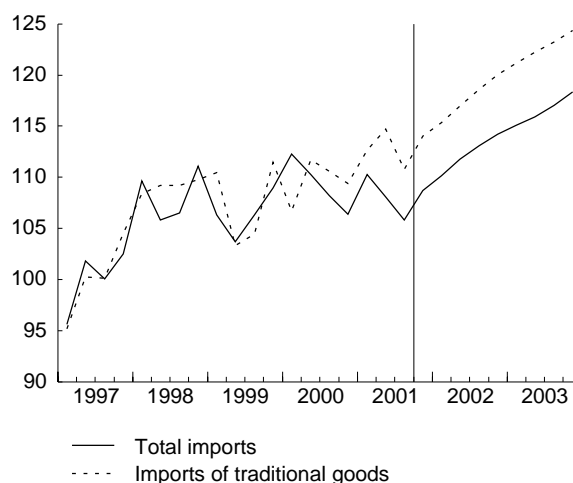
Seasonally adjusted volume indices, 1997=100



Source: Statistics Norway.

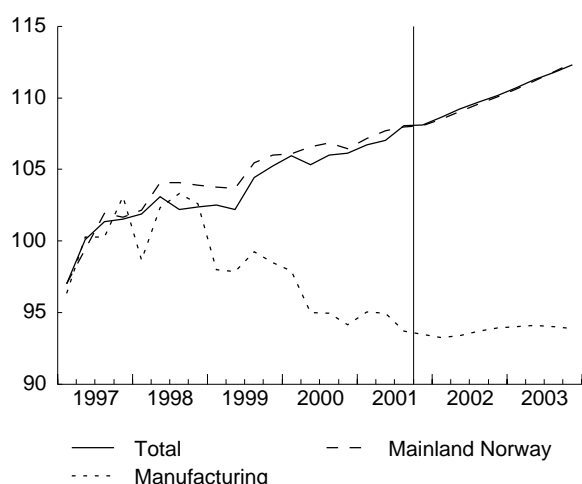
Imports

Seasonally adjusted volume indices, 1997=100



Source: Statistics Norway.

Gross domestic product
Seasonally adjusted volume indices, 1997=100



Source: Statistics Norway.

production. Our estimates are based on the assumption that this will not occur until one year after an international cyclical upturn has clearly emerged. It now appears that the price for Brent Blend will be about USD 25 per barrel in 2001, equivalent to about NOK 220 per barrel. This is a decline in prices of 12 per cent from the previous year. For 2002, we assume that the oil price will fall further, to USD 22 per barrel, which results in a fall in prices of 13 per cent measured in krone terms. For 2003, however, we assume that the oil price will be in the middle range of OPEC's targeted interval for the oil price, which entails a price of Brent Blend of USD 25-26 per barrel. Measured in krone terms, we assume that the oil price in 2003 will be approximately the same as our estimate for 2001.

Measured at an annual rate, petroleum investment is projected to contract by 8 per cent from 2000 to 2001. The decline is related to the very high level of investment in the first quarter of 2000. However, this has its counterpart in extraordinarily high import-oriented investment in the same quarter, with the result that petroleum investment demand for goods and services from Norwegian suppliers appears to be roughly unchanged from 2000 to 2001. Petroleum investment has risen slightly through most of 2001. This is expected to continue into 2002 so that the level of investment on an annual basis will be about 3 per cent higher than this year. For 2003, investment is not expected to show substantial changes in relation to the average level in 2002. There is a tendency to reduce the development of new fields and to increase investment in fields that are already on stream. The recently approved cut in production is not expected to have a significant impact on petroleum investment.

Traditionally, there is considerable uncertainty associated with the level of petroleum investment one and a half years ahead. If the oil price falls substantially over the next six months, this may have a negative effect on petroleum investment in 2003, particularly for exploration drilling. However, even an oil price at the current level – about USD 19 and about NOK 170 per barrel – provides very high profitability for projects on the Norwegian shelf. It is not considered very likely that the oil price will fall so dramatically that current development projects will be shelved.

All in all, the petroleum sector's contribution to production and demand is thus expected to be moderate. As a result, the difference in growth rates for total GDP and for the mainland economy will be modest, although the petroleum sector will continue to push up total growth somewhat.

Increasing consumption growth and high saving

Growth in household consumption appears to be about 2 per cent in 2001, on a par with earlier estimates. It appears that household real disposable income will increase at a somewhat faster rate, resulting in a slightly higher household saving ratio. There have been signs of slightly slower growth in transfers to households over the past year, not least due to the levelling off of the rise in sickness benefits. The high real after-tax interest rate is an important reason for the increase in the saving ratio.

The outlook for very low price inflation next year will probably have two effects on household consumption in the period ahead. First, subdued inflation will in isolation contribute to higher growth in real disposable income. Second, lower inflation will raise the real after-tax interest rate, which will place a damper on consumption growth and contribute to maintaining a high saving ratio. Lower nominal interest rates will also have an impact on households' financial income because interest income will fall less than interest expenses. An increase in real disposable income will boost the household saving ratio particularly the first year, and it will take several years before an increase in income has a full impact on consumption.

No substantial changes in nominal interest rates have been assumed through 2003. With slightly higher consumer price inflation that year compared with 2002, the real interest rate will decline. In isolation, this contributes to higher consumption and lower saving. In the short run, however, rising unemployment will result in higher saving because we assume that rising unemployment makes households in general more uncertain about their own earning capacity, thereby reducing their willingness to raise new loans and increasing their interest in accumulating financial reserves. This contributes to a continued rise in saving in 2003 despite the fall in real interest rates.

Main economic indicators 2000-2003. Accounts and forecasts.

Percentage change from previous year unless otherwise noted

		Forecasts							
	Accounts 2000	2001			2002			2003	
		SN	MoF	NB	SN	MoF	NB	SN	NB
Demand and output									
Consumption in households and non-profit organizations	2.4	2.0	1.9	2	2.9	2.7	2 3/4	2.8	2 3/4
General government consumption	1.4	2.0	2.1	2 1/2	1.6	1.5	2 1/4	2.3	2 1/2
Gross fixed investment	-1.1	-5.2	-1.0	0	1.9	0.5	-2	-0.6	-3/4
Petroleum activities	-17.1	-8.2	-5.4	0	2.8	-2.3	-5	-0.1	-5
Mainland Norway	1.4	-0.6	-0.6	0	-0.4	0.9	-1 1/2	-0.8	1/4
Firms	1.8	-2.4	-2.6	-1 3/4	-3.7	-0.5	-4 1/2	-2.5	3/4
Housing	12.2	8.8	7.6	8 1/2	5.4	0.8	2	2.8	0
General government	-7.9	-3.2	-1.6	-2 1/4	4.7	4.8	4 3/4	0.3	0
Demand from Mainland Norway ¹	1.9	1.5	..	1 3/4	2.0	..	2	2.0	2 1/4
Stockbuilding ²	0.9	-0.8	..	..	0.0	..	..	0.0	..
Exports	2.7	4.3	3.8	2 3/4	2.5	3.8	2 1/4	3.0	2 3/4
Crude oil and natural gas	6.4	4.9	8.6	4	3.2	8.3	6	0.4	2
Traditional goods	2.1	2.8	1.6	2 3/4	2.7	1.4	-1	4.7	3 1/2
Imports	2.5	-0.3	1.9	0	4.1	1.9	1/4	3.4	3 1/4
Traditional goods	1.7	3.3	2.5	1	4.0	2.0	1/4	4.1	3 1/4
Gross domestic product	2.3	1.4	1.6	1 1/2	1.8	2.7	2 1/4	1.8	1 3/4
Mainland Norway	1.8	1.1	0.8	1 1/4	1.5	1.6	1 1/2	1.9	1 3/4
Labour market									
Employed persons	0.5	0.2	0.3	1/2	0.0	0.3	1/4	0.1	1/2
Unemployment rate (level)	3.4	3.6	3.5	3 1/2	3.9	3.6	3 1/2	4.1	3 1/2
Prices and wages									
Wages per standard man-year	4.3	4.5	4 1/2	4 3/4	4.1	4 1/4	5	3.6	5
Consumer price index (CPI)	3.1	3.0	3.1	3	1.0	1.5	1 1/2	1.6	2 1/2
CPI excluding energy products and changes in indirect taxes	..	2.5	..	2 1/2	2.4	..	2	1.9	2 1/2
Export prices, traditional goods	13.8	-1.8	..	-1	-4.7	..	-1 1/2	4.1	1/2
Import prices, traditional goods	6.0	1.2	..	..	-2.2	..	..	1.1	..
Housing prices	14.0	5.9	..	4 1/2	5.1	..	4	7.5	4
Balance of payment									
Current balance (bill. NOK)	203.6	212.0	189.1	200	167.3	159.4	170	197.7	170
Current balance (per cent of GDP)	14.3	14.5	..	14	11.4	..	11	12.9	11
Memorandum items:									
Household saving ratio (level)	7.7	7.9	7.5	8	9.2	8.2	8 1/2	10.2	8 1/2
Money market rate (level) ³	6.8	7.3	..	..	6.0	..	..	5.6	..
Lending rate, banks (level)	8.1	8.7	..	..	7.4	..	..	7.0	..
Crude oil price NOK (level) ⁴	252.0	221.2	220	224	192.5	185	177	217.6	177
Export markets indicator	10.3	1.6	..	..	4.3	..	..	7.7	..
Importweighted krone exchange rate (44 countries) ^{3, 5}	2.6	-3.2	..	-3	0.7	..	-1 1/4	0.3	0.0

¹ Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.² Change in stockbuilding. Per cent of GDP.³ NB technically assumes its rates to be constant through the forecast period.⁴ Average spot price Brent Blend.⁵ Increasing index implies depreciation.

Sources: Statistics Norway (SN), Ministry of Finance, St.prp. nr. 1 Tillegg nr. 4, 2001 (MoF), Norges Bank, Inflasjonsrapport 3/2001 (NB).

It appears that housing investment will show an increase of about 9 per cent in 2001, in line with the estimate in our previous report. The high level of housing starts in the first half of 2001 was largely associated with the construction of assisted living facilities for the elderly and cottages. Housing starts have fallen since the summer. However, the number of dwellings under construction has continued to show a rise up to now and is at a relatively high level. Housing investment may therefore increase somewhat for a period ahead, but level off through 2002. On an annual basis, housing investment is therefore still expected

to rise in 2002. High growth in household income along with a fall in nominal interest rates may contribute to resumed growth in housing starts unless we record a stronger downturn with mounting unemployment and increased uncertainty for the household sector. Prices for existing dwellings have moved on an upward trend, and the same factors that are contributing to growth in housing investment will also contribute to boosting house prices. Historically, however, prices for existing dwellings are very sensitive to cyclical developments. A weak rise in these prices for a period ahead is therefore conceivable. With the pros-

Productivity and output gap

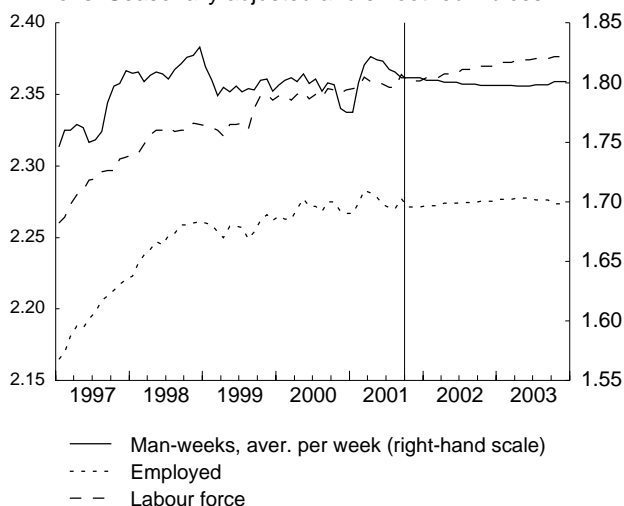
Per cent



Source: Statistics Norway.

Labour force, employment and number of man-weeks

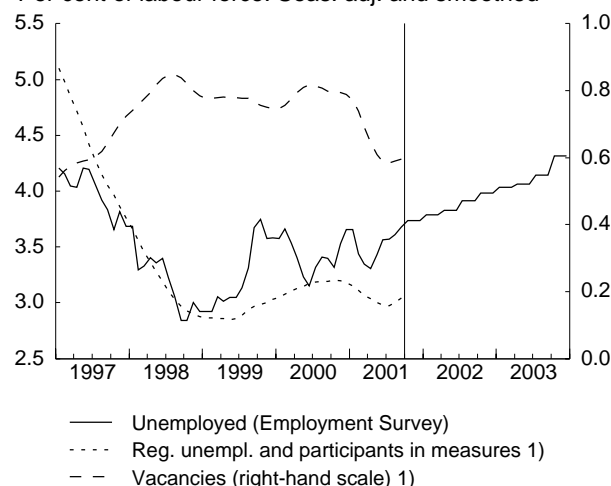
Millions. Seasonally adjusted and smoothed indices.



Source: Statistics Norway.

Unemployed and number of vacancies

Per cent of labour force. Seas. adj. and smoothed



1) Backwards adjusted for breaks in the series from January 1999.
Sources: The Directorate of Labour and Statistics Norway.

pect of a fall in interest rates and vigorous income growth, however, it is likely that real prices in the housing market will continue to rise in 2002, approximately on a par with developments in 2001.

Decline in mainland corporate investment

Total mainland corporate investment has edged down during 2001, although the picture varies considerably across industries. In manufacturing, investment showed a substantial increase after bottoming out around the end of 2000. Statistics Norway's investment intentions survey from December shows that manufacturing enterprises expect a noticeable increase in manufacturing investment again in 2002. This is related in part to ongoing modernization in the aluminium industry. Higher investment activity is now also being planned in the power supply sector in 2002. In service industries, where the level of investment has been at a historically very high level since 1997, investment has contracted through 2001, and the decline is expected to continue in both 2002 and 2003. Since the size of this component is equal to housing investment and general government investment combined, the sluggish trend in service industries is now expected to result in small changes in total investment in the mainland economy over the next two years.

The investment tax, which was originally scheduled to be removed with effect from 1 April next year, will now be eliminated on 1 October. It is likely that enterprises that have the opportunity to postpone the start of taxable investment will do so in order to avoid paying the tax. In isolation, this will contribute to reducing investment in the period ahead, but increasing investment temporarily from the autumn of next year. Non-residential building starts have exhibited a downward trend over several quarters after peaking about two years ago, while buildings under construction continue to move on a weak upward trend. This investment is therefore not expected to show a substantial decline in 2002.

Cyclical downturn in the global economy results in low export growth

Amplified by the terrorist attacks on the US, the cyclical downturn in the global economy has been pronounced in recent months. This has also contributed to a decline in international commodity prices, which have a considerable influence on Norway's disposable income. Our projections for market growth among Norway's trading partners have been revised downwards substantially for both 2001 and 2002 compared with our September report. Our projections for exports of traditional goods and some services have therefore also been lowered appreciably. Traditional exports are now expected to show an increase of about 3 per cent in both 2001 and 2002. Seasonally adjusted quarterly national accounts figures show a pronounced decline from the second to third quarter

Effects of a more prolonged downturn in the US on the Norwegian economy

The uncertainty concerning future developments in the global economy is considerable, and in the section on the international economy we outlined possible effects of a more prolonged US downturn on the US and European economies. Such developments will influence the Norwegian economy in several ways. Both market growth and price inflation among our trading partners are reduced in relation to the baseline scenario, the euro appreciates against the US dollar and euro interest rates are lower. Moreover, we have assumed that the oil price falls by USD 8 and that international commodity prices decline by 10 per cent. We have assumed that the krone gradually depreciates against the euro as a result of this, in relation to the baseline scenario, so that the import-weighted krone exchange rate remains unchanged. The interest rate is assumed to shadow inflation, with real interest rates unchanged. The sharp fall in oil prices measured in krone terms entails reduced allocations to, and thereby total assets in, the Government Petroleum Fund, which may be amplified by negative effects on equity prices internationally. Fiscal policy is nevertheless assumed to remain unchanged as the fiscal policy guidelines allow the cyclical situation to be taken into account in the formulation of policy. Petroleum investment is also assumed to be unaffected. Some of the main results are summarized in the table. The calculations start in the third quarter of 2002, so that the effects in the second half of 2002 are twice the level shown (does not apply to the current account balance).

Percentage deviation from baseline scenario	2002	2003
Private consumption	0.1	0.7
Manufacturing investment	-0.4	-1.6
Traditional merchandise exports	-0.7	-1.4
Mainland GDP	-0.1	-0.1
Manufacturing output	-0.5	-1.3
Unemployment rate*	0.1	0.1
Consumer price inflation*	-0.3	-1.3
Rise in import prices, trad. goods	-1.0	-2.7
Current account balance, NOK bill.	-47.1	-123.7

*Absolute deviation.

The calculations indicate that this delayed cyclical upswing in the US will not necessarily, under our assumptions, have strong effects on production and employment in Norway. However, the result is a clearer dichotomy in the economy. Whereas manufacturing and export industries are negatively affected by lower market growth, private consumption remains buoyant and gradually increases because lower interest rates and a higher operating surplus for households boost their consumption-inducing real income. This shift in demand also influences the current account balance, but the substantial deterioration here is primarily a result of lower oil prices.

How monetary policy will respond to this is uncertain. With a smaller decline in interest rates (i.e. higher real interest rates), the positive effects on consumption will be smaller and the negative effects on total production and unemployment greater.

of this year, with the result that the downward revision in export growth from the previous report is greatest for this year. A cyclical turnaround is still expected to take place early in 2002. The strong stimulus being generated by monetary policy in most OECD countries should contribute to this. However, the uncertainty concerning international developments is greater than earlier. We have therefore included a scenario with weaker international developments.

Increasing demand from mainland Norway

With stronger growth in household consumption next year and approximately unchanged investment, total demand from households and mainland enterprises may increase somewhat in the period ahead compared with growth in 2001. However, growth in domestic demand has been revised downwards compared with our previous report. Part of the downward adjustment reflects weaker international developments that affect domestic activity and demand. Moreover, the orientation of economic policy differs from what we assumed in the September report. The approved programme from the current Government will generate a substantially smaller demand impetus to the domestic economy than was then assumed. This is because a policy that places emphasis on lower taxes and excise duties generates a smaller demand impetus in the short and medium term than a policy that places greater emphasis on public expenditure for consumption and fixed capital formation.

Higher growth in mainland GDP in the period ahead

GDP continued to expand in the third quarter of 2001, but growth in the mainland economy tended to be slightly lower. For 2001 as a whole, total GDP is now expected to grow by 1.4 per cent, which is nearly a percentage point lower than in 2000. Mainland GDP growth is estimated at 1.1 per cent in 2001, which is only marginally lower than our previous projection. As discussed in earlier reports, low growth in 2001 is influenced by the fall in electricity production from 2000 to 2001. Underlying growth in the mainland economy is therefore somewhat higher.

Stronger growth in domestic demand is expected to boost growth in the mainland economy next year. However, our growth projections have been revised down substantially compared with our previous reports, which were then based on different assumptions concerning economic policy and international developments, cf. discussion above. In this respect, our projections for 2002 and 2003 are now more on a par with those provided at the beginning of this year before economic policy was revised. Sluggish developments in the international economy will have a negative influence on growth in manufacturing. As a result of the strong krone exchange rate, more of the overall demand impetus will be focused on imports. Growth

is primarily expected to take place in service industries. The negative impetus from the decline in petroleum investment now appears to be over for a while and this will make a positive contribution to some manufacturing sectors. The most export-oriented industries will probably be facing the greatest problems in the period ahead, with low market growth and weak profitability.

The Norwegian economy has now entered a downturn. However, an expansionary fiscal policy and a gradual revision of monetary policy, along with a resumed cyclical upswing in the international economy through 2002, will contribute to a pick-up in growth in the economy to nearly 2 per cent in 2003. However, this growth is not sufficient to allow the economy to approach a cyclically neutral situation. This is also reflected in the assumption that unemployment will rise.

Rising unemployment

Unemployment has risen in recent months. The unemployment rate, measured by the Labour Force Survey, is now expected to be 3.6 per cent this year, compared with 3.4 per cent in 2000. With growth in the economy that is lower than trend growth, unemployment will continue to edge up in the period ahead. However, experience shows that the labour supply responds fairly quickly to a slacker labour market and that this will curb the increase in unemployment. Whereas it appears that the labour force participation rate will increase by about half a per cent this year, no increase is expected next year. This will result in an increase in the labour force of 6-8 000 persons. Taking into account that the number of working days will be fewer next year due to an increase in vacation days, employment will remain high even though the number of man-hours worked is assumed to fall. Stated simply, we thus expect unemployment to increase approximately in step with the increase in the labour supply next year, while the number employed will remain virtually unchanged.

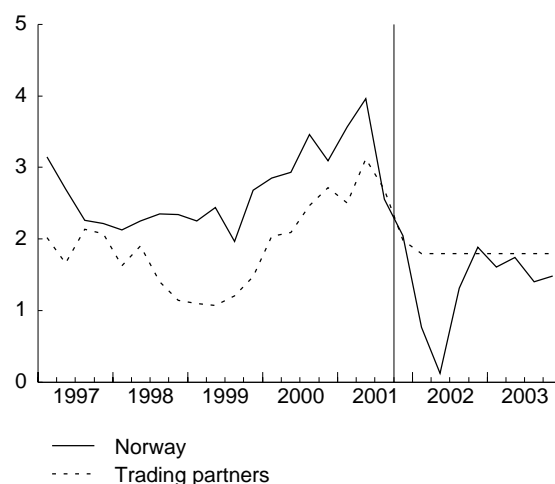
In 2003, when growth again picks up, both labour demand and supply will increase. The result of this is expected to be a moderate rise in unemployment.

Moderate price inflation

The rate of price inflation has changed considerably over the past two years. The year-on-year rise in the consumer price index (CPI) was down to 1.9 per cent in August 1999, rising thereafter up to May 2001 when it reached 4.3 per cent. Increases in crude oil prices on the world market and electricity prices in the Nordic countries, along with changes in indirect taxes, were the main driving forces behind the acceleration. Over the last four months the rate of inflation has fallen markedly, and was down to 2.2 per cent in October. The halving of the VAT rate on food with effect from 1 July, lower petrol prices and a slight

Consumer price indices

Percentage growth from the same quarter previous year



Sources: Statistics Norway, OECD and Eurostat.

decline in electricity prices (whereas they normally rise in the autumn) were the most important factors behind this fall. When the CPI is adjusted for changes in real taxes and energy prices (CPIATE), the rate of inflation has been very steady over the past 15 months, which is the period covered by these statistics. However, the rate of inflation has tended to move down this year, from 2.8 per cent in January to 2.5 per cent in October.

Energy prices are expected to contribute to reducing the year-on-year rise in the CPI towards the end of this year, with the annual rise reaching 3.0 per cent. Lower tax rates for electricity and beverages as well as the elimination of the 12-month effect of the general increase in the VAT rate on 1 January 2002 will probably contribute to a marked reduction in the inflation rate at the beginning of next year. Normal seasonal movements in electricity prices, with a decline in the spring, as well as the removal of the airline passenger tax from 1 April, will contribute to a further decline in inflation towards the end of the first half of 2002. Developments may be amplified by lower interest rates, which in the short term may reduce inflation because house rents will rise less than they otherwise would have. As from 1 July, the direct effect of changes in the VAT scheme from 1 July 2001 will be eliminated, a factor that will push up the rate of inflation. Towards the end of 2002 and into 2003, the year-on-year rise in the consumer price index may be about 2 per cent.

In the calculations, the indirect effects of a reduction in excise duties and lower energy prices contribute to reducing to some extent the underlying rate of inflation, measured by CPIATE, in the period ahead. A lower rise in import prices, reduced interest rates and somewhat lower wage growth point to the same. Reduced competition in air transport and telecom services may, however, have the opposite effect.

Labour market pressures and inflation

According to the Labour Force Survey (LFS), unemployment in Norway fell from 6.5 to 3 per cent in the years 1993-1998 before stabilizing at about 3.5 per cent in 2000 and 2001 (see figure 1). In the early 1990s, this level was described as an equilibrium unemployment level in Norway. Wage growth has nevertheless remained at a very high level in recent years, a factor that has probably prompted many observers to maintain that the labour market remains tight.

On the basis of empirical work underlying the modelling of wage formation in Statistics Norway's macroeconomic models, there is no direct relationship between the level of unemployment and wage growth in the long term, i.e. no Phillips curve. Unemployment, on the other hand, determines the level of real wages in the long term. However, because a sustained fall in unemployment will increase the level of real wages, and because it takes time before real wages reach the new level, wage growth in the intervening period will remain high. This period may be long because higher wages result in higher prices, which curb the increase in real wages. The result is a wage-price spiral where both wage and price inflation may remain high even if unemployment remains unchanged. It is worth investigating to what extent the decline in unemployment from 1993 to 1998 is still generating an inflationary impetus in Norway.

In order to shed light on the problem, we have used Statistics Norway's macroeconomic model KVARTS to calculate the isolated effect of the fall in unemployment since 1993 on wage and price inflation, viewed in relation to a counterfactual path in which unemployment remains constant at the level in the third quarter of 1993 at about 6.5 per cent, while all other exogenous variables that influence price inflation (import prices, exchange rates, economic policy, etc.) evolve as was actually the case. The setting of interest rates is throughout in keeping with the earlier regime of fixed exchange rates. We also calculate the contribution of the fall from 6.5 per cent to wage and price inflation in the period ahead if unemployment were to remain at the current level of about 3.5 per cent up to

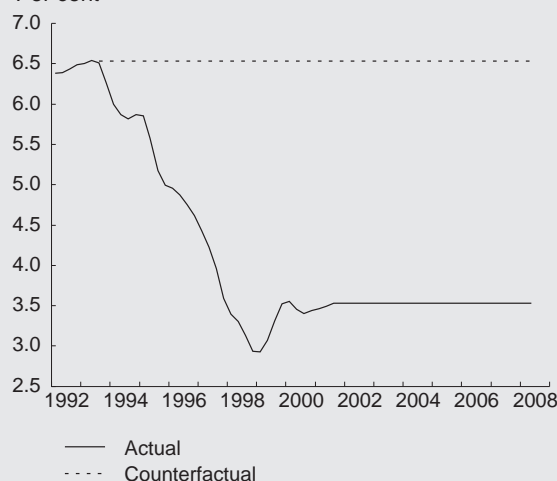
2008. The effects of the decline in unemployment on wage and price inflation are shown in figure 2.

The calculations show that even though the decline in unemployment rapidly contributed to higher wage growth, the contributions to price inflation were modest the first few years. This is precisely because the process of passing on higher costs to prices is slow, and it also means that the wage-price spirals contributed little to wage growth up to end-1995. The effect on price inflation then began to have an impact on wage growth, while falling unemployment continued to make a further contribution. The total contribution of the decline in unemployment to wage growth peaked in 1998, the year actual wage growth also reached a peak, with wages rising by 6.5 per cent.

Higher unemployment through 1999 contributed to reducing wage growth through 1999 and part of 2000. Unemployment has since showed little change, so that the estimated contributions to wage and price inflation in 2001 are generally a result of the wage-price spiral that was started by the previous fall in unemployment. The calculations show that this spiral will, in isolation, continue to generate higher wage and price inflation in coming years, contributing 1.5-2 per cent to wage growth and 1 per cent to price inflation. We do not see signs of a decline in the contributions to wage and inflation pressures until the end of the period.

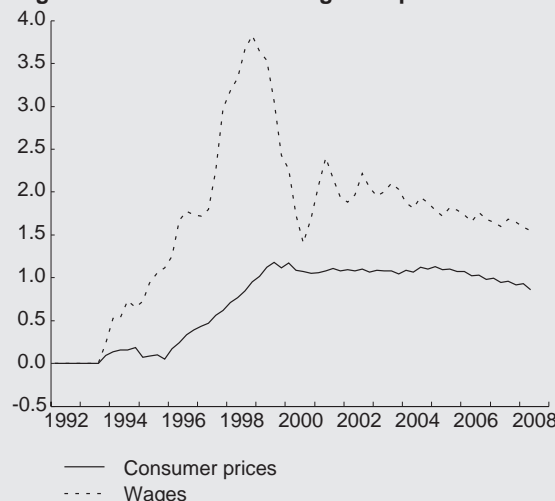
The main conclusion of the calculations is that it is not the current level of unemployment which, in isolation, contributes to developments in inflation in the period ahead, but that earlier falls in unemployment will continue to contribute to wage and price inflation in coming years (albeit with declining importance). This is a result of the relatively sluggish wage-price spiral. The analysis shows that even though no Phillips curve is incorporated in wage formation in KVARTS, there are still mechanisms in the model which over a long period create a similar relationship for the economy as a whole, known as hysteresis in wage formation.

Figure 1: Unemployment
Per cent



Source: Statistics Norway

Figure 2: Contribution to wage and price inflation



Source: Statistics Norway

Lower nominal, but higher real wage growth

The main settlement next spring will take place in an environment characterized by weak profitability in internationally exposed sectors, very low consumer price inflation, falling interest rates and rising unemployment. It is therefore very likely that wage growth will fall in nominal terms from 2001 to 2002. Despite this, real wage growth will increase considerably because consumer price inflation will be more than halved from 2001 to 2002. This means that the purchasing power of employees will increase on an annual basis without large nominal pay increases, or even perhaps without any increase at all. Pressures in the labour market have not only subsided when measured by unemployment. The number of vacancies has also fallen considerably through 2001, but appears to have shown little change since the summer. It is likely, however, that mismatches in the labour market more generally will decline in the period ahead and thereby contribute to curbing wage drift.

Large current account surpluses despite falling prices

The current account of the balance of payments showed a very high surplus in the third quarter of 2001. The current account surplus will fall considerably in the fourth quarter due to lower export prices, not least for oil. The surplus on the current account is now expected to amount to about NOK 210 billion in 2001, entirely in line with our previous projection. As a result of lower estimates for export growth and lower prices, the current account surplus is now estimated at NOK 160 billion in 2002, which is slightly lower than assumed earlier. In step with the cyclical upturn in the global economy and the rise in prices for Norwegian export goods, we project that the current account surplus will again increase in 2003, to about NOK 200 billion. This implies that the Government Petroleum Fund will continue to increase at a brisk pace, which in turn will contribute to new impulses from fiscal policy in the period ahead.

National accounts: Final expenditure and gross domestic product. 1999-2001

At fixed 1997-prices. Million kroner

	Unadjusted		Seasonally adjusted							
	1999	2000	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3
Final consumption exp. of housh. and NPISHs	550 660	563 628	140 043	141 138	141 279	141 414	140 556	143 527	143 823	144 323
Household final consumption expenditure	524 625	537 524	133 475	134 591	134 760	134 860	134 074	136 852	137 173	137 645
Goods	295 110	300 716	75 008	75 949	75 773	75 460	74 347	76 530	76 589	76 493
Services	221 842	228 097	56 445	56 435	56 867	57 221	57 496	57 954	58 264	58 838
Direct purchases abroad by resident househ.	23 552	24 438	5 828	6 171	6 078	6 133	6 035	6 208	6 197	6 224
Direct purchases by non-residents	-15 879	-15 727	-3 806	-3 965	-3 958	-3 955	-3 804	-3 840	-3 876	-3 909
Final consumption exp. of NPISHs	26 035	26 103	6 567	6 548	6 520	6 554	6 482	6 676	6 650	6 677
Final consump. exp. of general government	234 026	237 296	59 078	59 059	59 129	59 413	59 682	60 013	60 246	60 545
Final consump. exp. of central government	92 406	93 204	23 220	23 267	23 158	23 311	23 463	23 424	23 331	23 501
Central government, civilian	68 040	69 820	17 148	17 444	17 282	17 467	17 623	17 771	17 641	17 797
Central government, defence	24 367	23 385	6 072	5 823	5 876	5 844	5 841	5 653	5 690	5 705
Final consump. exp. of local government	141 620	144 092	35 858	35 792	35 971	36 102	36 219	36 589	36 915	37 043
Gross fixed capital formation	255 945	253 099	61 973	69 282	64 056	60 157	59 661	62 303	58 818	57 139
Petroleum activities	62 443	51 791	11 547	17 423	11 830	11 402	11 125	11 425	11 793	11 818
Ocean transport	10 579	15 890	2 611	5 402	5 359	3 245	1 884	3 992	785	262
Mainland Norway	182 923	185 418	47 816	46 457	46 868	45 510	46 652	46 886	46 240	45 059
Mainland Norway ex. general government	143 503	149 110	37 723	37 403	37 408	36 584	37 658	37 641	37 566	36 523
Manufacturing and mining	16 089	14 782	4 183	3 754	4 378	3 546	3 278	3 837	4 018	4 035
Production of other goods	17 933	17 475	4 335	4 499	4 766	4 367	3 839	4 139	3 550	3 751
Dwellings	29 122	32 670	7 529	7 919	7 961	8 274	8 498	8 665	8 792	8 966
Other services	80 360	84 182	21 677	21 231	20 303	20 397	22 043	21 001	21 207	19 770
General government	39 420	36 308	10 092	9 054	9 459	8 926	8 994	9 245	8 674	8 537
Changes in stocks and stat. discrepancies	21 409	31 094	5 477	6 136	9 283	10 479	5 215	2 529	6 862	6 659
Gross capital formation	277 354	284 193	67 451	75 418	73 339	70 636	64 876	64 832	65 680	63 798
Final domestic use of goods and services	1062040	1085117	266 571	275 615	273 747	271 464	265 114	268 372	269 750	268 665
Final demand from Mainland Norway	967 609	986 342	246 936	246 654	247 276	246 338	246 890	250 427	250 309	249 926
Final demand from general government	273 446	273 605	69 170	68 112	68 588	68 339	68 677	69 258	68 920	69 081
Total exports	461 819	474 425	121 387	117 393	115 648	117 952	122 904	124 813	122 414	124 209
Traditional goods	180 361	184 228	46 959	45 335	46 313	46 210	46 324	48 804	48 551	46 003
Crude oil and natural gas	157 633	167 800	42 184	42 251	40 044	41 325	43 821	44 817	42 167	44 724
Ships and oil platforms	15 488	9 744	4 151	1 516	1 857	3 289	3 082	1 774	2 695	3 481
Services	108 338	112 653	28 093	28 291	27 434	27 128	29 676	29 418	29 001	30 001
Total use of goods and services	1523860	1559542	387 958	393 008	389 395	389 416	388 018	393 185	392 164	392 874
Total imports	389 111	399 014	99 582	102 624	100 788	98 883	97 210	100 765	98 796	96 751
Traditional goods	256 699	260 989	66 488	63 675	66 646	65 985	65 272	67 199	68 434	66 073
Crude oil	1 951	948	496	133	48	384	383	219	211	158
Ships and oil platforms	21 412	25 152	5 551	10 834	6 517	5 126	2 675	3 820	1 093	2 021
Services	109 049	111 924	27 047	27 981	27 578	27 388	28 879	29 527	29 058	28 498
Gross domestic product	1134749	1160528	288 376	290 384	288 607	290 534	290 808	292 420	293 368	296 123
Mainland Norway (market prices)	934 814	951 744	236 745	237 036	238 076	238 733	237 747	239 426	240 575	241 198
Petroleum activities and ocean transport	199 934	208 785	51 631	53 348	50 530	51 801	53 061	52 994	52 793	54 926
Mainland Norway (basic prices)	813 693	830 676	205 544	207 061	207 600	208 160	207 439	209 834	210 523	210 616
Mainland Norway ex. general government	639 520	654 998	161 711	163 409	163 821	164 128	163 232	165 635	166 166	166 082
Manufacturing and mining	120 964	117 804	30 309	30 136	29 233	29 222	28 974	29 249	29 220	28 832
Production of other goods	87 835	93 306	22 130	23 120	23 582	23 588	22 874	22 646	22 098	22 100
Service industries	430 721	443 889	109 271	110 153	111 006	111 319	111 384	113 740	114 848	115 150
General government	174 173	175 678	43 833	43 653	43 779	44 032	44 208	44 199	44 358	44 533
Correction items	121 121	121 068	31 201	29 975	30 476	30 573	30 307	29 592	30 051	30 582

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product. 1999-2001

At fixed 1997-prices. Percentage volume change from previous period

	Unadjusted		Seasonally adjusted							
	1999	2000	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3
Final consumption exp. of households and NPISHs	2.2	2.4	1.2	0.8	0.1	0.1	-0.6	2.1	0.2	0.3
Household final consumption expenditure	2.3	2.5	1.2	0.8	0.1	0.1	-0.6	2.1	0.2	0.3
Goods	1.2	1.9	0.9	1.3	-0.2	-0.4	-1.5	2.9	0.1	-0.1
Services	3.2	2.8	1.5	0	0.8	0.6	0.5	0.8	0.5	1.0
Direct purchases abroad by resident households	6.6	3.8	-0.6	5.9	-1.5	0.9	-1.6	2.9	-0.2	0.4
Direct purchases by non-residents	-0.6	-1.0	-3.5	4.2	-0.2	-0.1	-3.8	0.9	0.9	0.9
Final consumption exp. of NPISHs	0.1	0.3	0.3	-0.3	-0.4	0.5	-1.1	3.0	-0.4	0.4
Final consumption exp. of general government	3.3	1.4	0.2	0.0	0.1	0.5	0.5	0.6	0.4	0.5
Final consumption exp. of central government	3.5	0.9	-0.1	0.2	-0.5	0.7	0.7	-0.2	-0.4	0.7
Central government, civilian	4.7	2.6	0.2	1.7	-0.9	1.1	0.9	0.8	-0.7	0.9
Central government, defence	0.1	-4.0	-1.0	-4.1	0.9	-0.5	-0.1	-3.2	0.7	0.3
Final consumption exp. of local government	3.2	1.7	0.5	-0.2	0.5	0.4	0.3	1.0	0.9	0.3
Gross fixed capital formation	-8.2	-1.1	-8.6	11.8	-7.5	-6.1	-0.8	4.4	-5.6	-2.9
Petroleum activities	-19.9	-17.1	-24.2	50.9	-32.1	-3.6	-2.4	2.7	3.2	0.2
Ocean transport	-18.8	50.2	-57.2	106.9	-0.8	-39.4	-41.9	111.8	-80.3	-66.6
Mainland Norway	-2.6	1.4	2.9	-2.8	0.9	-2.9	2.5	0.5	-1.4	-2.6
Mainland Norway ex. general government	-3.3	3.9	3.2	-0.8	0.0	-2.2	2.9	0.0	-0.2	-2.8
Manufacturing and mining	-23.2	-8.1	8.1	-10.3	16.6	-19	-7.6	17.1	4.7	0.4
Production of other goods	7.3	-2.6	-17.9	3.8	5.9	-8.4	-12.1	7.8	-14.2	5.7
Dwellings	-2.5	12.2	3.2	5.2	0.5	3.9	2.7	2.0	1.5	2.0
Other services	-0.6	4.8	7.7	-2.1	-4.4	0.5	8.1	-4.7	1.0	-6.8
General government	-0.1	-7.9	2.0	-10.3	4.5	-5.6	0.8	2.8	-6.2	-1.6
Changes in stocks and stat. discrepancies	-14.1	45.2	87.2	12.0	51.3	12.9	-50.2	-51.5	171.3	-3.0
Gross capital formation	-8.7	2.5	-4.6	11.8	-2.8	-3.7	-8.2	-0.1	1.3	-2.9
Final domestic use of goods and services	-0.7	2.2	-0.6	3.4	-0.7	-0.8	-2.3	1.2	0.5	-0.4
Final demand from Mainland Norway	1.5	1.9	1.3	-0.1	0.3	-0.4	0.2	1.4	0.0	-0.2
Final demand from general government	2.8	0.1	0.5	-1.5	0.7	-0.4	0.5	0.8	-0.5	0.2
Total exports	2.8	2.7	5.3	-3.3	-1.5	2.0	4.2	1.6	-1.9	1.5
Traditional goods	3.2	2.1	3.1	-3.5	2.2	-0.2	0.2	5.4	-0.5	-5.2
Crude oil and natural gas	-0.1	6.4	9.2	0.2	-5.2	3.2	6.0	2.3	-5.9	6.1
Ships and oil platforms	38.7	-37.1	6.0	-63.5	22.5	77.1	-6.3	-42.4	51.9	29.2
Services	2.6	4.0	3.4	0.7	-3.0	-1.1	9.4	-0.9	-1.4	3.4
Total use of goods and services	0.4	2.3	1.2	1.3	-0.9	0.0	-0.4	1.3	-0.3	0.2
Total imports	-1.6	2.5	2.5	3.1	-1.8	-1.9	-1.7	3.7	-2.0	-2.1
Traditional goods	-1.3	1.7	6.7	-4.2	4.7	-1.0	-1.1	3.0	1.8	-3.4
Crude oil	9.3	-51.4	-5.9	-73.3	-63.8	702	-0.2	-42.8	-3.8	-24.9
Ships and oil platforms	-26.1	17.5	-21.9	95.2	-39.8	-21.3	-47.8	42.8	-71.4	84.9
Services	4.2	2.6	-0.7	3.5	-1.4	-0.7	5.4	2.2	-1.6	-1.9
Gross domestic product	1.1	2.3	0.8	0.7	-0.6	0.7	0.1	0.6	0.3	0.9
Mainland Norway (market prices)	1.0	1.8	0.5	0.1	0.4	0.3	-0.4	0.7	0.5	0.3
Petroleum activities and ocean transport	1.4	4.4	2.0	3.3	-5.3	2.5	2.4	-0.1	-0.4	4.0
Mainland Norway (basic prices)	1.3	2.1	0.3	0.7	0.3	0.3	-0.3	1.2	0.3	0.0
Mainland Norway ex. general government	0.8	2.4	0.4	1.0	0.3	0.2	-0.5	1.5	0.3	-0.1
Manufacturing and mining	-3.2	-2.6	-0.8	-0.6	-3.0	0.0	-0.8	0.9	-0.1	-1.3
Production of other goods	-1.1	6.2	-1.5	4.5	2.0	0.0	-3.0	-1.0	-2.4	0.0
Service industries	2.4	3.1	1.1	0.8	0.8	0.3	0.1	2.1	1.0	0.3
General government	2.9	0.9	0.2	-0.4	0.3	0.6	0.4	0.0	0.4	0.4
Correction items	-0.7	0.0	1.7	-3.9	1.7	0.3	-0.9	-2.4	1.6	1.8

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product. 1999-2001

Price indices. 1997=100

	Unadjusted		Seasonally adjusted							
	1999	2000	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3
Final consumption exp. of households and NPISHs	104,6	107,9	105,1	106	107,8	108,6	109,2	109,3	111,3	110,7
Final consumption exp. of general government	108,8	114,2	110	111,1	113,2	115,7	116,7	119,3	120,4	121,6
Gross fixed capital formation	105,7	111,4	107,4	107,4	110,6	112,9	115,3	116,2	116,1	116,2
Mainland Norway	106	111,2	107,7	108,5	110,5	112,4	113,4	115,9	115,2	115,4
Final domestic use of goods and services	105,8	110	107	108,8	109,9	109,6	111,2	114,7	114,4	112,8
Final demand from Mainland Norway	105,9	110	106,8	107,7	109,6	111	111,8	112,9	114,2	114,2
Total exports	101	139,9	113,6	126,5	135,2	148,1	149,5	140,5	143,4	137,1
Traditional goods	101,2	115,1	104	109,8	115,2	117,1	118,9	115,9	114,7	112,5
Total use of goods and services	104,4	119,1	109,1	114,1	117,4	121,3	123,3	122,9	123,5	120,5
Total imports	101	108,6	102,5	104,3	108,1	110,5	111,3	112,6	112,3	109,3
Traditional goods	99,2	105,1	100,9	103,2	103,8	105,9	106,8	109,9	108,6	104,8
Gross domestic product	105,5	122,7	111,3	117,6	120,6	124,9	127,4	126,4	127,2	124,1
Mainland Norway (market prices)	106,8	110,8	108,1	108,3	110,6	111	113,1	113,8	114,5	114,7

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product. 1999-2001

Price indices. Percentage volume change from previous period

	Unadjusted		Seasonally adjusted							
	1999	2000	99.4	00.1	00.2	00.3	00.4	01.1	01.2	01.3
Final consumption exp. of households and NPISHs	2.0	3.1	0.4	0.9	1.7	0.8	0.5	0.1	1.8	- 0.5
Final consumption exp. of general government	3.5	4.9	1.0	1.0	1.9	2.2	0.9	2.2	0.9	1.0
Gross fixed capital formation	1.8	5.5	3.1	0.0	3.0	2.1	2.1	0.7	- 0.1	0.1
Mainland Norway	2.2	4.9	2.8	0.8	1.8	1.7	0.9	2.2	- 0.6	0.2
Final domestic use of goods and services	2.4	3.9	2.0	1.7	1.0	- 0.2	1.5	3.1	- 0.3	- 1.4
Final demand from Mainland Norway	2.4	3.9	1.0	0.9	1.8	1.3	0.7	1.0	1.1	0.0
Total exports	10.2	38.5	6.3	11.4	6.8	9.5	0.9	-6.0	2.1	- 4.4
Traditional goods	0.0	13.8	1.5	5.6	5.0	1.6	1.5	-2.5	- 1.1	- 1.9
Total use of goods and services	4.5	14.1	3.4	4.6	2.9	3.3	1.7	-0.4	0.5	- 2.4
Total imports	-0.5	7.5	1.3	1.7	3.6	2.2	0.7	1.2	- 0.3	- 2.7
Traditional goods	-2.3	6.0	2.3	2.3	0.6	2.0	0.8	2.9	- 1.2	- 3.6
Gross domestic product	6.3	16.3	4.1	5.6	2.6	3.6	2.0	-0.7	0.6	- 2.4
Mainland Norway (market prices)	2.7	3.7	1.5	0.2	2.1	0.3	1.9	0.6	0.6	0.2

Source: Statistics Norway.

Technical comments on the quarterly figures

Quarterly calculations: The calculations are made on a less detailed level than the calculations for the annual national accounts, and are based on more simplified procedures.

Base year and chain linking of the data: In the quarterly national accounts (QNA) all volume measures are currently calculated at constant 1997 prices using weights from that year. The choice of base year influences the constant price figures and thus the annual rates of change in volume (growth rates). For the sake of comparison, all tables present growth rates with 1997 as the base year (common year of recalculation). The recalculation of prices is carried out at the sectoral level of the quarterly national accounts.