

# Economic trends

During the summer there was a change of mood in the global economy, and the growth outlook shifted in a negative direction. Economic indicators for activity in the OECD area reveal that growth is lower than many had previously assumed. Even our relatively pessimistic projections for economic growth have proved too optimistic. There is once again great uncertainty in financial markets concerning the ability of heavily indebted countries to service their debt, and this is expressed through a widening of interest rate differentials between securities that are perceived to be safe and unsafe. Share prices have dropped considerably, as have prices for a number of commodities. So far, crude oil prices have undergone little change, however. Unemployment in the OECD area remains at a high level. With prospects of slow growth ahead, there are no grounds to assume that unemployment will fall. The inflation rate is moderate and is currently influenced by high energy prices, high food prices and increases in indirect taxes that probably have a transitory effect on consumer price inflation. The emerging economies are still experiencing growth, in some cases quite high, but growth rates are falling. The authorities in these countries are trying to curb growth by tightening economic policy, amongst other things by raising key policy rates. In the USA and Europe, by contrast, interest rate increases are expected to be postponed because of the change in the growth outlook, and some central banks have already announced this.

There are limits to what the authorities in many countries could now do in terms of counter-measures in the event of long-term economic stagnation. The scope of manoeuvre for fiscal policy is perceived as limited, and many countries feel compelled to tighten fiscal policy, even though growth is low. Interest rates are already low, and rates slightly lower than the current level will not have much effect on household and enterprise sector demand. Other monetary policy measures are being attempted, and the Federal Reserve is expected to announce new measures in September. Much of the uncertainty associated with economic developments is due to the fact that the authorities, particularly in the EU, lack institutions that can implement relevant crisis measures. Establishing new supranational institutions in a time of crisis is difficult for both practical and, not least, political reasons in countries with democratic forms of government. If a political solution to the debt problems cannot be found, the result will probably be that some countries default on their debt. Many European banks, in particular, have large holdings of government bonds and will then have to take substantial losses. The European Central Bank and the EU Stability Fund will also suffer heavy losses. The spillover effect may be serious, and we cannot exclude the possibility of a new global financial crisis even though our projections are not based on this assumption.

Economic developments in Norway have been characterised by moderate growth for the last couple of years. Growth has increased somewhat so far in 2011. Unemployment has fallen slightly and is lower than the average for the past decade. Inflation is low, as are interest rates. Growth in real wages is high, and both employment and the numbers receiving transfers are rising. High growth in household real income and low interest rates have led to a rise in consumption and housing investment and are now contributing to economic growth. The housing market is particularly heated, and resale home prices have risen markedly. With prospects of low interest rates for a while to come and falling inflation, we expect household demand to continue rising and to have positive effects for business investment. In addition, increased investment in petroleum activities and energy production more generally will contribute to a higher level of activity. Because of weak growth in the global economy, however, Norwegian exports will hardly increase at all in the years ahead. Given the way the global economy is now developing, we cannot assume that prices for our traditional export products will continue to rise. A persistently strong krone will add to the considerable challenges facing the internationally exposed business sector.

We assume that the increase in growth in the mainland economy in the next couple of years will be driven by domestic factors. However, the accompanying rise in employment will not lead to a fall in unemployment. We anticipate approximately unchanged unemployment, largely because high immigration and increased labour participation translate into strong growth in the labour force. As a result of the stronger krone, inflation will be lower than the target of 2.5 per cent, and real wage growth may still be high, particularly compared with developments among trading partners.

The events in many countries through 2011 demonstrate the importance of having financial reserves to draw on in bad times. These reserves must be accumulated in good times. This applies to households and enterprises as well as the public sector. If the authorities are to contribute to stabilising the economy, they must act differently from the private sector. This functioned reasonably well during the financial crisis in 2008, but it may be more difficult now that the scope of manoeuvre for monetary and fiscal policy is largely exhausted in many countries. The situation for Norway remains completely different

# Cyclical developments in Norway

Preliminary quarterly national accounts figures (QNA) show volume growth of mainland GDP of an annualised 4 per cent in the second quarter of 2011. The growth rate through 2010 and into the first quarter of 2011 was about 2 per cent, which is somewhat lower than estimated trend growth in the mainland economy. The increase in GDP growth is partly due to random and temporary effects and therefore does not indicate a definite turnaround in the Norwegian economy. Unemployment has fallen in some quarters, but appears

to have levelled off recently. This is partly attributable to higher labour force growth and to the high level of immigration from neighbouring countries. Employment continues to rise at a moderate pace. Productivity growth in the mainland economy has been moderate, but increased somewhat in the second quarter.

Underlying price inflation, measured by the consumer price index adjusted for taxes and excluding energy products (the CPI-ATE) shows that inflation in Norway

Table 1. **Macroeconomic indicators 2009-2011. Growth from previous period unless otherwise noted. Per cent**

|                                                                                   | 2009* | 2010* | Seasonally adjusted |       |       |       |
|-----------------------------------------------------------------------------------|-------|-------|---------------------|-------|-------|-------|
|                                                                                   |       |       | 10:3                | 10:4  | 11:1  | 11:2  |
| <b>Demand and output</b>                                                          |       |       |                     |       |       |       |
| Consumption in households etc.                                                    | 0.2   | 3.7   | 1.1                 | 1.2   | 0.3   | 0.7   |
| General government consumption                                                    | 4.8   | 2.2   | 1.2                 | -0.6  | 0.1   | 1.0   |
| Gross fixed investment                                                            | -6.8  | -7.4  | -4.7                | 6.9   | -1.4  | -0.2  |
| Mainland Norway                                                                   | -10.9 | -3.1  | -1.2                | 7.2   | -1.5  | 1.4   |
| Extraction and transport via pipelines                                            | 5.8   | -12.4 | -14.4               | 13.2  | 0.8   | 6.4   |
| Final domestic demand from Mainland Norway <sup>1</sup>                           | -1.0  | 2.0   | 0.7                 | 1.7   | -0.1  | 1.0   |
| Exports                                                                           | -3.9  | -1.7  | -0.9                | -0.4  | -1.6  | 0.4   |
| Crude oil and natural gas                                                         | -0.9  | -7.4  | -7.9                | 1.2   | -1.8  | -4.5  |
| Traditional goods                                                                 | -8.1  | 4.9   | 3.0                 | -3.7  | -2.0  | 7.5   |
| Imports                                                                           | -11.7 | 9.0   | -1.5                | 0.6   | 10.5  | -8.4  |
| Traditional goods                                                                 | -13.1 | 8.3   | -1.3                | 2.5   | 4.1   | -1.6  |
| Gross domestic product                                                            | -1.7  | 0.3   | -1.7                | 2.3   | -0.6  | 0.4   |
| Mainland Norway                                                                   | -1.8  | 2.1   | 0.9                 | 0.4   | 0.5   | 1.0   |
|                                                                                   |       |       |                     |       |       |       |
| <b>Labour market</b>                                                              |       |       |                     |       |       |       |
| Man-hours worked                                                                  | -1.8  | 0.5   | 0.7                 | 0.0   | 0.1   | 0.4   |
| Employed persons                                                                  | -0.4  | -0.2  | 0.2                 | 0.2   | 0.3   | 0.3   |
| Labour force <sup>2</sup>                                                         | 0.0   | 0.5   | -0.1                | 0.6   | -0.2  | 0.3   |
| Unemployment rate, level <sup>2</sup>                                             | 3.2   | 3.6   | 3.5                 | 3.6   | 3.2   | 3.3   |
|                                                                                   |       |       |                     |       |       |       |
| <b>Prices and wages</b>                                                           |       |       |                     |       |       |       |
| Wages per standard man-year <sup>3</sup>                                          | 3.6   | 3.9   | 4.3                 | 4.1   | 4.1   | 3.9   |
| Consumer price index (CPI) <sup>3</sup>                                           | 2.1   | 2.5   | 1.9                 | 2.2   | 1.4   | 1.4   |
| CPI adjusted for tax changes and excluding energy products (CPI-ATE) <sup>3</sup> | 2.6   | 1.4   | 1.2                 | 1.0   | 0.8   | 1.0   |
| Export prices, traditional goods                                                  | -6.2  | 3.7   | 1.2                 | 2.0   | 3.3   | 0.4   |
| Import prices, traditional goods                                                  | -1.4  | -0.2  | -1.3                | 2.5   | 3.0   | -0.7  |
|                                                                                   |       |       |                     |       |       |       |
| <b>Balance of payment</b>                                                         |       |       |                     |       |       |       |
| Current balance, bill. NOK                                                        | 274.9 | 310.0 | 65.0                | 86.3  | 76.0  | 85.5  |
|                                                                                   |       |       |                     |       |       |       |
| <b>Memorandum items (unadjusted level)</b>                                        |       |       |                     |       |       |       |
| Money market rate (3 month NIBOR)                                                 | 2.5   | 2.5   | 2.7                 | 2.6   | 2.6   | 2.8   |
| Lending rate, banks <sup>4</sup>                                                  | 4.9   | 4.5   | 4.6                 | 4.6   | 4.6   | 4.7   |
| Crude oil price NOK <sup>5</sup>                                                  | 388.1 | 484.3 | 473.1               | 517.2 | 601.2 | 636.6 |
| Importweighted krone exchange rate, 44 countries, 1995=100                        | 93.8  | 90.3  | 90.8                | 91.1  | 89.1  | 87.8  |
| NOK per euro                                                                      | 8.73  | 8.01  | 7.96                | 8.05  | 7.82  | 7.82  |

<sup>1</sup> Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.

<sup>2</sup> According to Statistics Norway's labour force survey(LFS).

<sup>3</sup> Percentage change from the same period the previous year.

<sup>4</sup> Period averages.

<sup>5</sup> Average spot price, Brent Blend.

Source: Statistics Norway and Norges Bank.

is still low. This remains the case also when energy products are included. A stronger krone exchange rate has contributed to this, and the rise in energy prices has also slowed recently. Wage growth in Norway is higher than among trading partners, and is also rising slightly. In isolation, this will push up domestic price inflation, while a further strengthening of the krone will have the opposite effect. Contributions from wage growth are not expected to change the inflation rate in the near future.

The increase in household and general government demand made a particularly large contribution to growth in the Norwegian economy in 2010. Mainland business investment also increased through 2010. The growth in traditional goods exports from 2009 to 2010 was to a large extent a rebound after the most acute phase of the financial crisis.

The moderate growth internationally will contribute little to mainland economic growth in 2011. Given prospects of low GDP growth among Norway's most important trading partners, it is reasonable to expect weak export growth also in the period ahead. We assume that household demand will increase considerably, which will determine whether we experience a clear upturn in the Norwegian economy. Investment in housing is now growing substantially, and this is normally a good leading indicator of economic growth. Information about business sector investment plans also implies that somewhat stronger growth can be expected for the next few years. Petroleum investment is again showing an upswing, and the plans of the oil companies indicate continued growth. Investment intention surveys for both manufacturing and electricity supply point to higher investment in 2012. We expect mainland GDP growth to be 2.7 per cent in 2011, and that the growth rate will rise somewhat next year.

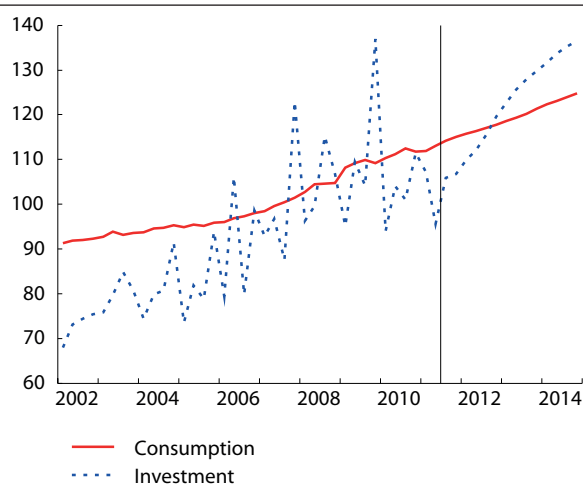
Economic policy generated strong growth impulses, particularly in 2009 but also in 2010. Fiscal policy has undergone some gradual tightening, however, and the structural non-oil budget deficit (SNOBD) shows that fiscal policy is now less expansionary than earlier. Future developments in population growth imply stronger growth in transfers, which will mean higher household income. The 4 per cent path of the fiscal rule probably allows for high spending growth ahead. If the Norwegian economy is entering a cyclical upturn, as our calculations indicate, it is reasonable to weigh up the interests of economic stability against the scope for spending growth allowed by the 4 per cent path of the fiscal rule. We have assumed in our calculations that the scope for manoeuvre is utilised primarily for higher general government investment, while general government expenditure increases more in line with projected trend growth in the mainland economy.

Monetary policy has also been a little less expansionary since the key policy rate touched bottom in 2009. So far this year, the policy rate has been raised a quarter of a

percentage point. If growth in the Norwegian economy picks up, this factor in isolation points towards a gradual increase in interest rates to a more normal level. A rapid rise in house prices and a pronounced increase in household debt may contribute to higher interest rates. However, the strong krone and low inflation rate have an offsetting effect. This summer an increase in the premium between Norges Bank's key policy rate and the money market rate created new unrest. In response to the increased uncertainty, the central bank has been more reticent recently with regard to interest rate policy than previously signalled. International expectations are that the ECB will not increase its policy rate in the near future, and we expect several years of approximately unchanged interest rates. Net immigration to Norway increased markedly in 2010 and this trend has continued in 2011, which indicates that labour market capacity is still quite flexible. This also reduces the need for interest rate increases going forward, and in the projection scenario the next interest rate increase will take place in early 2013.

Global economic developments are now weaker than previously assumed in our projections for the Norwegian economy. A number of indicators in August in particular showed more negative developments than expected. The government debt crisis is curbing developments among many of Norway's most important trading partners. Economic growth projections have been revised markedly downwards, and this implies that international interest rates will remain low for a good while to come and longer than previously assumed. These changed perspectives contributed to Norges Bank not increasing the key policy rate in August. Low inflation and a strong krone may also have influenced the decision.

In previous reviews of the economic situation, our projections for global economic developments have been slightly lower than the consensus among forecasters. At the same time, we pointed to the risk of developments being even weaker than indicated by our projections. The fact that we now envisage weaker developments globally than previously assumed has several consequences for our forecasts. Growth in Norwegian exports will be lower, which will negatively impact GDP. On the other hand, lower interest rates may prompt even higher consumption and investment. However, more pessimistic expectations of global economic developments may lead to reduced investment, and households may well increase their saving in order to have more reserves to fall back on if developments in the Norwegian economy should be pronouncedly more negative than previously assumed. Enterprises may want to reduce their debt-equity ratio rather than undertaking more investment and a further increase in debt. We have seen tendencies of this kind in many countries since the financial crisis. If there is a fear of a new round of liquidity problems in credit markets, enterprises may reduce their financial vulnerability by increasing liquidity. This will make them less dependent on external funding for

Figure 1. **General government. Seasonally adjusted volume indices. 2007=100**

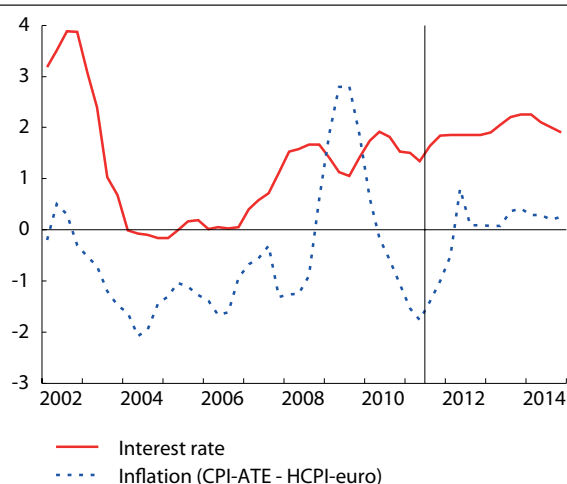
Source: Statistics Norway.

investment projects at a later time. On balance, this will bring about a reduction in enterprise and household sector demand in the next few years.

There is reason to assume that these effects have been in play for the past three years, but we have not assumed that the effects of negative expectations will play a greater part going forward than they have done already. Despite weaker growth prospects internationally, our calculations show that the level of activity in the Norwegian economy will increase so that we enter a relatively clear cyclical upturn in the period ahead. Higher household demand and increased investment in petroleum activities, power supply and infrastructure are expected to make a particular contribution to this. Mainland economic growth is expected to be about 3.5 per cent in 2012 and thereafter. This is markedly lower than growth during the upturn from 2004 to 2007, largely due to the weaker growth globally in the wake of the financial crisis. We now assume that unemployment in Norway will only fall weakly during the upturn because of the strong growth in the labour force. Weaker global growth impacts international prices negatively, as a result of which the profitability of Norwegian manufacturing will not increase in the way that would normally be expected in an upturn. This will dampen wage growth. However, with weak growth in consumer prices, attributable to a continuing appreciation of the krone, real wage growth is expected to be high.

### Fiscal policy will be weakly expansionary

Seasonally adjusted QNA figures show that general government consumption somewhat surprisingly only increased weakly from the second half of 2010 to the first half of 2011. Local government consumption has been approximately unchanged for the last four quarters. Central government consumption has increased, and second quarter growth was quite high. If the level of general government consumption remains unchanged from the second quarter to the end of the year, annual growth in 2011 will only be about 1 per cent. If annual growth in 2011 is to be 2.3 per cent, as

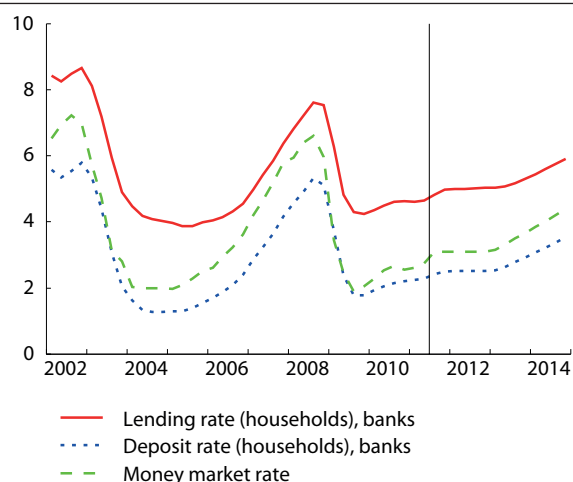
Figure 2. **Interest rate and inflation differential between NOK and the euro. Percentage points**

Source: Norges Bank and Statistics Norway.

estimated in the Revised National Budget 2011 (RNB), growth will therefore have to increase sharply through the second half of this year. We have revised our projection for growth in general government consumption in 2011 down to 2.1 per cent. Developments from the second half of 2010 to the first half of this year reflect a failure of gross general government investment to increase as expected. So far, there has been a decline in gross investment through 2011 that is partly due to the high investment in military material in the first quarter of this year, when the last of the Armed Forces' five frigates was delivered. We therefore forecast growth of only 2.6 per cent from 2010 to 2011. Overall, the level of general government consumption and investment was approximately the same in the first half of 2011 as in the second half of last year. Transfers to households increased by 6.5 per cent from the first half of 2010 to the first half of 2011, which is higher than the annual growth from 2009 to 2010. Old age pensioners have contributed most to this increased growth, while the sum of child benefit and cash benefit for young children was nominally unchanged, and unemployment benefits have fallen. The total demand impulses generated by general government purchases of goods and services and transfers in the first half of 2011 increased less in real terms than trend growth in the mainland economy.

Our projections for fiscal policy in 2011 are close to those in the RNB. They are based on the programme of direct and indirect taxes adopted for 2011. Indirect taxes are increasing somewhat more than adjustment for inflation and pushing up consumer price inflation by just on 0.1 percentage point from 2010 to 2011, while the nominal limit on personal tax has been adjusted up by 3¼ per cent. Wage growth for 2011 now appears likely to be just over 4 per cent. Transfers to households also appear likely to increase substantially in 2011 because the number of persons drawing old age pensions according to the new pension rules is increasing considerably. Overall, transfers to households are assumed to increase by about 7 per cent in 2011, which means real growth of close to 6 per cent. As previously

Figure 3. Norwegian interest rates. Per cent



Source: Norges Bank and Statistics Norway.

projected, SNOBD is assumed to remain within the 4 per cent rule in 2011 and fall as a percentage of trend mainland GDP.

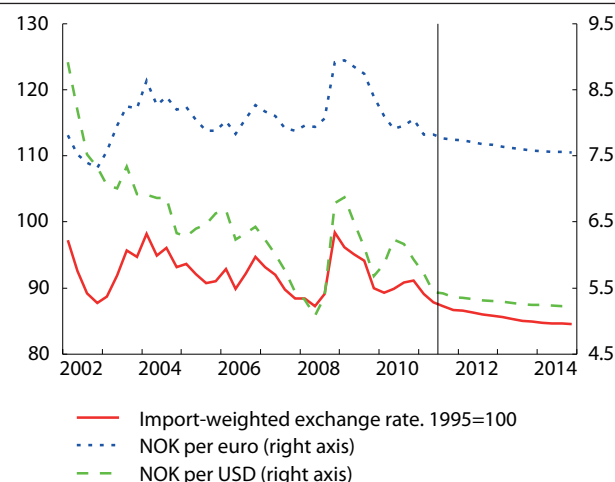
We project an unchanged tax level in real terms for the years 2012-2014, and that the strong growth in pension benefits in 2011 will continue. Transfers to households are expected to increase by about 5 per cent annually in real terms. General government consumption is assumed to increase in line with projected trend growth in the mainland economy. Gross general government investment is projected to increase by an average of 8 per cent annually for the next three years. Growth in overall demand impulses from purchases of goods and services and transfers is then projected to be about 4 per cent in the years immediately ahead. This is distinctly higher than projected trend growth in the mainland economy, and also higher than our projection for mainland GDP growth. SNOBD as a share of trend GDP will then increase going forward, which indicates that fiscal policy is having an expansionary effect.

For 2011, we forecast approximately the same growth in the Government Pension Fund Global as the projection in the RNB because our assumptions of somewhat higher oil and gas prices ahead than those in the RNB are counterbalanced by assumed lower year-end stock exchange prices. Our projections imply that SNOBD, calculated as a share of the capital in the Fund, will be about 3 per cent in 2014. There has not been such a wide deviation from the 4 per cent path since 2007.

### Pause in interest rate increases

Norges Bank's setting of interest rates is aimed at stabilising inflation at 2.5 per cent in the medium term, while taking account of the cyclical situation and output and employment prospects. Inflation measured by the 12-month change in the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) was 1.2 per cent in July this year. According to our calculations, mainland GDP was just below trend in 2009 and has been about 2 per cent below trend for the last year and a half. Unemployment has fallen from

Figure 4. Exchange rates



Source: Norges Bank.

last year to this year, and is now somewhat lower than the average for the period since 2000.

In response to the crisis in financial markets worldwide and the weak economic outlook, Norges Bank cut the key policy rate by 4.5 percentage points from autumn 2008 and over a nine-month period, so that in June 2009 it was 1.25 per cent. Between October 2009 and May 2010, the key rate was raised three times. It then remained at the same level until it was raised again in May this year. Each of the interest rate hikes was 0.25 percentage point, so that the key rate is now 2.25 per cent.

As a direct result of the financial crisis, the differential between the money market rate and the key policy rate widened. Prior to the crisis, the money market rate largely shadowed the policy rate with a premium of about 0.25 percentage point. From November 2009 and until July this year the premium was between 0.5 and 0.75 percentage point, and it increased further in August. The increase is probably a result of the turbulence in international financial markets due to the fear that some countries cannot manage their government debt. In August 2011 the money market rate was close to 3.1 per cent, so the premium is now 0.85 percentage point.

The setting of interest rates influences activity in the economy through a number of channels. First, the interest rate level affects households' consumption and housing investment and business fixed investment. Higher interest rates will push down both consumption and investment, thereby dampening economic activity. Second, interest rates will affect the activity level through the krone exchange rate. A higher Norwegian interest rate has the effect of strengthening the krone and thereby contributes to increasing imports and reducing exports. Both reduce domestic output and contribute to dampening the pressures during an economic upturn.

The interest rate level also influences private and municipal sector demand for credit, which is important



**Box 2.1. Economic consequences of a stronger krone exchange rate**

In our projections for developments in the Norwegian economy up to the year 2014 we forecast that the krone will strengthen against the euro such that the exchange rate reaches 7.55 in late 2014. The exchange rate was above 7.80 in the first eight months of 2011. Measured by the import-weighted krone exchange rate, which is a weighting of the currencies of Norway's 44 most important trading partners, the strengthening from 2010 to 2014 will be 6.5 per cent. By contrast, Norges Bank projected in June this year that the krone would depreciate weakly in the period ahead.

The table below shows the consequences for the Norwegian economy if the krone should appreciate as in the projection period as compared to remaining at the 2010 level for the whole projection period. The calculation thus shows the effects of a gradually stronger krone exchange rate. The analysis was performed using Statistics Norway's macroeconomic model KVARTS, which we use in our forecasting work.

Although exchange rate movements influence our projections for economic policy, we have assumed that the money market rate (and other interest rates) and fiscal policy will be unaffected. The purpose of the analysis is thus to illustrate the effects of the appreciation of the krone in isolation.

The strengthening of the krone causes import prices to fall. This is directly reflected in lower prices paid by Norwegian

consumers for imported consumer products. At the same time, Norwegian manufacturers have lower costs, which are reflected in lower prices also for products manufactured in Norway. However, the appreciation of the krone means that prices for domestic production increase relative to competing foreign products. Thus the competitiveness of Norwegian exporters is weakened, which results in reduced exports.

When import goods become cheaper in Norway, consumers and manufacturers shift to some extent away from goods produced in Norway and over to imported products. Imports therefore increase in the short term, despite falling production and demand in Norway. Norwegian manufacturers thus lose market shares in both the domestic and the world market.

A stronger krone causes a reduction in mainland economic activity as a result of weaker competitiveness. With lowered production there is less need for inputs, both labour and real capital, so employment also falls and unemployment rises. In conjunction with reduced prices, this leads to lower wage growth. Production costs are thereby lowered, which dampens the initial weakening of cost-competitiveness.

In our scenario, the price fall ensuing from the strengthening of the krone is stronger than the decline in wages. Real wages are therefore slightly higher, which in isolation stimulates demand from wage-earners. The reason that household consumption nevertheless falls is that real interest rates increase when nominal rates are assumed to remain unaffected while inflation falls. Household demand is therefore reduced and business fixed investment falls.

In 2012, inflation will be 0.9 percentage point lower than in the projection scenario, while the reduction will be 0.6 percentage point in 2013 and 2014. The projected inflation would thus have been 2.5 per cent in 2014 if we had assumed that the krone exchange rate remained at the 2010 level going forward. However, a krone as weak as this is not consistent with our krone exchange rate model. This model was quantified using data from before the financial crisis. It could not explain developments in the exchange rate during the crisis, but so far in 2011 it has again generated a krone exchange rate close to that which is observed.

**Macroeconomic effects of a stronger krone exchange rate.**  
**Deviation from the projection scenario. Per cent**

|                                                             | 2012 | 2013 | 2014 |
|-------------------------------------------------------------|------|------|------|
| Consumption, households                                     | -0.1 | -0.2 | -0.3 |
| Gross investment, Mainland Norway, excl. public investments | -0.5 | -1.2 | -2.1 |
| Exports excluding petroleum products                        | -1.2 | -1.4 | -1.4 |
| Imports                                                     | 0.2  | 0.0  | -0.1 |
| GDP Mainland Norway                                         | -0.4 | -0.7 | -0.9 |
| Employment                                                  | -0.2 | -0.3 | -0.4 |
| Unemployment rate (LFS) (percentage points)                 | 0.1  | 0.2  | 0.2  |
| Annual wages                                                | -0.6 | -1.3 | -2.0 |
| Inflation (CPI), percentage points                          | -0.9 | -0.6 | -0.6 |
| Import-weighted krone exchange rate                         | -4.7 | -5.9 | -6.5 |

for the financial stability of the economy. Growth in gross domestic debt in the private and municipal sector (C2) from the first to the second quarter of 2011 was an annualised 6.3 per cent. This is slightly lower than the previous quarter. Private and municipal sector credit growth bottomed out in the fourth quarter of 2009 at an annualised 2.4 per cent. Credit growth is still markedly lower than before the financial crisis, when annual growth was over 10 per cent for several years.

Both non-financial enterprises and households had approximately unchanged credit growth from the first to the second quarter of this year. Credit growth for non-financial enterprises from the first to the second quarter of 2011 was 3.3 per cent as an annual rate, while household credit growth was 7.3 per cent in the same period. A more detailed account of debt in non-financial enterprises is provided in Box 2.2. Credit growth in

local government was 12.0 per cent from the first to the second quarter, which is in line with developments this past year.

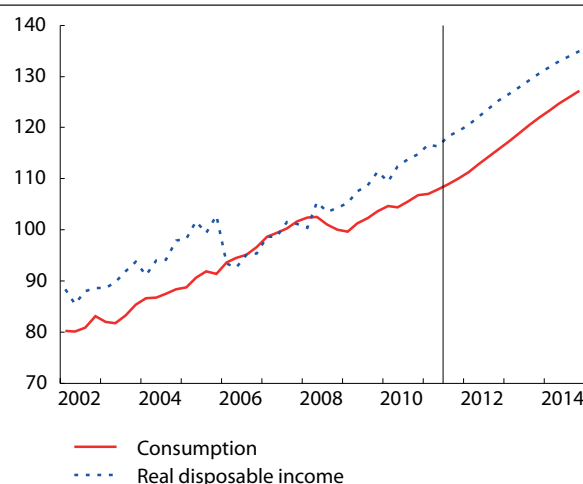
Measured in terms of the import-weighted krone exchange rate, the krone appreciated by 3.7 per cent from 2009 to 2010. This was largely a reversal of the depreciation the previous year. The strengthening of the krone has continued into 2011, and for the first eight months of this year the krone has been worth 2.2 per cent more than the annual average for 2010. The krone has primarily strengthened against the US dollar. As an annual average, a US dollar cost just over NOK 6 in 2010. Since April this year, the price of a dollar has for the most part been between NOK 5.40 and 5.50. The average cost of the euro for the first eight months of 2011 was almost NOK 7.80, but fell to under NOK 7.70 at the beginning of September.

According to our projections, GDP growth this year and through the projection period will be higher than estimated trend growth, and mainland GDP will rise above the trend level in 2013. At the same time, house prices appear set to continue rising in the years immediately ahead. This points to a rise in key rates. On the other hand, interest rate levels in Europe and the USA appear likely to remain low in the years ahead, so that a higher Norwegian interest rate will cause the krone to appreciate. This will contribute to low inflation and also have the effect of curbing the activity level, particularly in the internationally exposed sector. Price inflation is low and appears likely to remain below the inflation target for the next three years. On the basis of these assessments, we believe that Norges Bank will take a pause in interest rate changes unless the premium in the money market rate narrows. If developments are in accordance with our projections, we do not believe that Norges Bank will increase the key rate before early 2013. We expect three interest rate hikes in both 2013 and 2014. The money market rate will then rise to 4.4 per cent towards the end of 2014, while banks' average lending rate will be close to 6 per cent at the end of the projection period.

The pause in interest rate changes in the euro area is expected to last for two years. Our projections therefore imply a high and gradually increasing interest rate differential between Norway and the euro area. This will cause the krone to appreciate, and we assume that the euro-krone exchange rate will move towards 7.55 in the course of the projection period. On an annual basis, we believe the krone will appreciate by about 2¾ per cent in 2011, both measured against the euro and in terms of the import-weighted krone exchange rate. Measured by the same indices, the krone will continue to strengthen in subsequent years. However it is assumed that the appreciation will be less each year. The krone will accordingly be very strong during the projection period, and stronger than it has ever been before measured in terms of the import-weighted krone exchange rate, which dates back to 1989. Measured in terms of the trade-weighted exchange rate index, which is based on the OECD's current trade weightings and calculated on the basis of the exchange rate of the Norwegian krone against the currencies of Norway's 25 most important trading partners, the krone will be stronger in the next few years than it has been since devaluation in 1986.

In the course of an hour on Tuesday, 6 September 2011, the Norwegian krone appreciated strongly from around 7.68 to 7.53 against the euro. The background to this was the decision of the Swiss central bank earlier in the day to sell unlimited quantities of Swiss francs in order to set an exchange rate minimum for the Swiss franc

Figure 5. **Income and consumption in households. Seasonally adjusted volume indices. 2007=100**



Source: Statistics Norway.

against the euro. Because the Swiss franc had appreciated sharply during the summer as a result of investors moving into the safe haven of Swiss francs, the Swiss central bank's new policy led to a clear weakening of the franc. Some market participants reacted by moving over into Norwegian kroner, which caused the krone to appreciate in its turn. We have not assessed the consequences of this most recent appreciation of the krone for our projections. Box 2.1 provides a closer account of the effect a strengthening of the krone has on the Norwegian economy.

### Stronger consumption growth ahead

According to seasonally adjusted QNA figures, the consumption of households and non-profit organisations rose by 0.7 per cent in the second quarter of 2011 compared with the previous quarter. Goods consumption increased by 0.6 per cent in the same period, after an equivalent fall from the fourth quarter of 2010 to the first quarter of this year. Much of the first quarter decline can be attributed to a sharp fall in electricity consumption. This fall must in turn be seen in conjunction with the high consumption in the fourth quarter of last year, due to abnormally low temperatures. High electricity bills may thus also be part of the explanation for the low first-quarter figure this year. Goods consumption in the second quarter of this year was pushed up most by purchases of food, clothing and footwear and leisure items. Whereas car purchases remained unchanged from the first to the second quarter, a sharp fall in electricity consumption had the effect of dampening growth in goods consumption. Excluding the variation in electricity consumption, which is largely influenced by temperature fluctuations, goods consumption was unchanged in the first quarter and 1.0 per cent higher in the second quarter.

Table 2. **Household real disposable income. Percentage change on previous year**

|                           | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------|------|------|------|------|------|------|------|------|------|------|
| Total                     | 7.6  | -6.4 | 6.3  | 3.6  | 4.4  | 4.1  | 4.4  | 4.1  | 4.6  | 3.9  |
| Excluding share dividends | 2.5  | 5.2  | 5.0  | 2.8  | 4.9  | 4.0  | 4.4  | 4.3  | 4.7  | 3.6  |

Source: Statistics Norway.

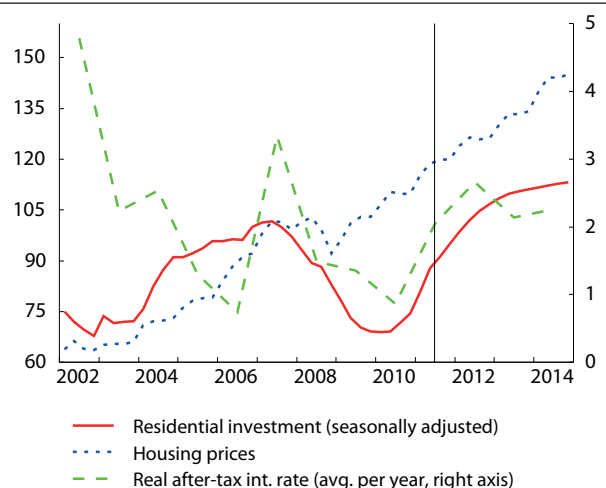
In contrast to goods consumption, consumption of services has shown relatively stable developments so far this year. Consumption of services increased by 0.8 per cent in the second quarter of this year, approximately on a par with the previous quarter. A comparison reveals that overall household consumption was 2.8 per cent higher in the first half of this year than in the first half of 2010. The goods consumption index for July shows a seasonally-adjusted, broad-based decline of 1.0 per cent. The terror attacks on 22 July may have influenced purchases, so that the goods consumption index for July is not really representative of the third quarter. The number of new private car registrations has remained at a high level. In July and August a total of over 28 600 new private cars were registered, which is approximately 1 per cent more than in the same period in 2010. Nevertheless, this points to a fall from the second to the third quarter. On an annual basis we are now expecting consumption growth of 2.8 per cent this year, which is almost one percentage point lower than in 2010.

Developments in household income, housing wealth and interest rates are important factors for influencing consumption. Household real disposable income rose by 4.1 per cent in 2010. Wage income, which is the largest source of household income, made a particularly large contribution to this income growth as the decline in employment of the previous year came to a halt and there was clear real wage growth. Although wage income will rise further given a more favourable economic situation, and public transfers will increase as a result of higher old-age pensions, gradually increasing interest rates and increasing consumer price inflation will have the effect of moderating growth in real disposable income through the projection period. Thus we expect annual growth in household real disposable income of around 4 per cent in the projection period.

Housing wealth increases with rising house prices, which will stimulate consumption in the next few years. However, an assumed higher real interest rate level, particularly in 2012, points to higher saving and a moderation of consumption growth. All in all, consumption growth is projected to be around 5 per cent annually for the next few years. The average annual consumption growth rate is about half a percentage point lower than during the previous cyclical upturn from 2004 to 2007. If we adjust for population growth, the difference in the average annual growth rate will be higher. Whereas average annual consumption growth per inhabitant was 3.9 per cent in the period 2004–2007, our projections imply a figure of 3 per cent in the period 2011–2014.

Given the income and consumption developments assumed here, the household saving ratio (saving as a share of disposable income) will increase from a level of just over 7.5 per cent in 2010 to about 9.0 per cent this year, and then fall gradually towards 7 per cent in 2014. This is a high level in a historical perspective. In the

Figure 6. **Residential market. Left axis adj. indices. 2007=100. right axis per cent**



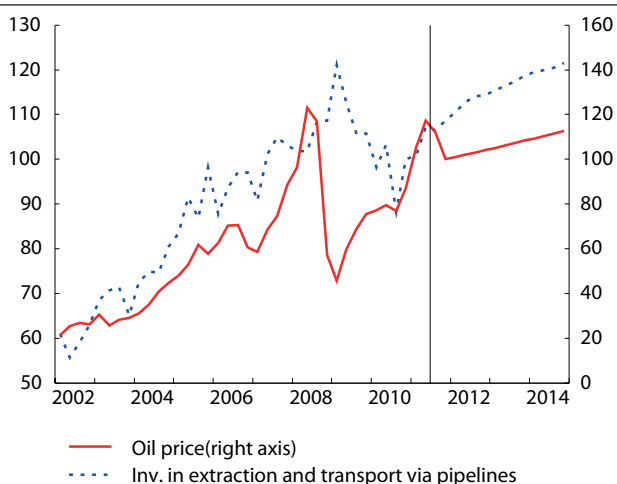
Source: Statistics Norway.

wake of the financial crisis, precautionary household saving probably increased as a result of the uncertainty associated with households' own income. We assume that, given the current uncertainty surrounding the global economy, this saving behaviour will also prevail to some extent in the projection period. Much of the saving takes the form of housing investment. One measure of developments in households' financial position is net investment in financial assets, which is found in the income accounts of the national accounts by deducting investment in non-financial assets (largely housing investment) from saving. Households are projected to reduce their investment in net financial assets in pace with increasing housing investment from a level of about NOK 50 billion in 2010 to around NOK 14 billion in 2014.

### New housing investment peak

Measured as an annual average, housing investment fell by 2.2 per cent in 2010. However, the seasonally-adjusted QNA figures show that housing investment has now grown for five successive quarters following the sharp decline from the middle of 2007. Growth was particularly strong in the first and second quarters of this year, with growth rates of 8.9 per cent and 8.2 per cent, respectively. A comparison reveals that housing investment was more than 22 per cent higher in the first half of this year than in the first half of 2010. Building statistics, the main source for calculating housing investment, show a sharp seasonally-adjusted increase in residential building starts in July. We nevertheless assume that most of the growth in housing investment for the current year has already materialised. On an annual basis, we foresee that growth in housing investment, expressed as an annual average, may be about 24 per cent this year. Prospects of an improved economic situation, continued strong population growth and rising house prices imply that housing investment will continue to rise going forward, albeit at a more moderate pace. We expect housing investment to increase by 16.5 per cent next year, and by 6 per cent and 2 per cent, respectively, in the last two years of the



Figure 7. **Petroleum investments and oil price in USD. Seasonally adjusted volume indices. 2007=100**

Source: Statistics Norway.

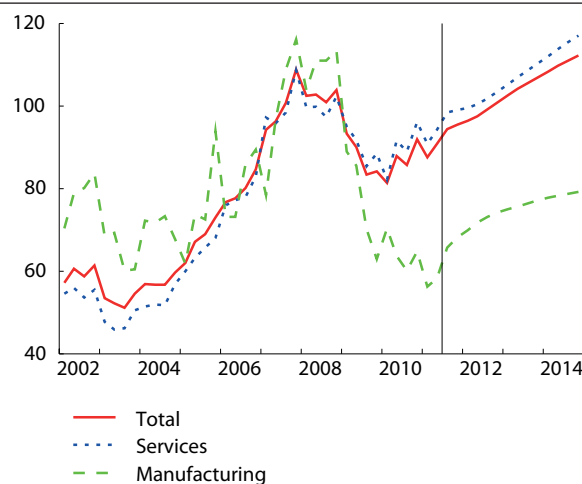
projection period. Housing investment will in such case reach a new peak of almost NOK 112 billion in 2014 (measured in constant 2007 prices). It will then be 11.5 per cent higher than the last peak in 2007. The increase per inhabitant will only be about 2 per cent.

According to Statistics Norway's house price index, the financial crisis contributed to house prices falling by almost 10 per cent from the second to the fourth quarter of 2008. Prices have subsequently shown a pronounced increase that far outweighed this decline. House prices increased in both the first and the second quarter of this year compared with the previous quarter, by 5.1 per cent and 2.8 per cent, respectively. In the second quarter of 2011, the level of house prices was a good 15 per cent higher than the level in the second quarter of 2008. Developments in monthly house price figures also point to appreciable growth in the third quarter of this year. According to the real estate industry's house price statistics, seasonally-adjusted house prices increased by 0.6 per cent in both July and August. We now estimate that house prices will rise in pace with developments in residential construction, household income and interest rates, by 8.5 per cent this year and by 5.5-8 per cent annually in the period 2012-2014.

### Petroleum investment markedly up in 2011

Following a pronounced fall in the third quarter of 2010, petroleum investment has increased in subsequent quarters. According to the QNA, overall petroleum investment increased by 6.4 per cent from the first to the second quarter of 2011.

Investment growth has largely been driven by increased drilling and exploration for oil. Drilling activity is associated with the development of new fields, but also with intensive work to increase the recovery factor of older fields. This activity suffered little reduction in the wake of the financial crisis and has also increased over the past year. Investment in platforms and drilling rigs fell markedly in 2010, and the decline continued into

Figure 8. **Investments. Mainland Norway. Seasonally adjusted volume indices. 2007=100**

Source: Statistics Norway.

2011 with a fall of 6 per cent from the first half of 2010 to the first half of this year. However, the decline can be attributed to the fact that there was investment in one drilling rig in the first quarter of 2010, but no such investment was recorded for the first half of this year. Apart from this, investment in oil platforms has remained roughly unchanged in this period.

The number of fields that are developed on the Norwegian continental shelf is expected to increase in the years ahead. This will increase investment in new fields. In addition, major upgrading projects are being launched, at the Ekofisk field, among others. We are therefore expecting an appreciable increase in investment in platforms. Oil exploration and drilling activity is at a high level, and is expected to remain so during the projection period. Overall petroleum investment will therefore increase in all the years in our projection. Growth is expected to be strongest this year and next, before falling off appreciably in the subsequent two years.

A temporary shutdown of the Troll field resulted in lower gas production and contributed to a pronounced fall in petroleum production in the second quarter of 2011. The low gas production caused petroleum production to fall by 15 per cent from the second quarter of 2010 to the second quarter of 2011. Because of randomly low production in 2011, a slight increase may be seen in 2012 before production again declines in 2013 and 2014. Oil prices are expected to remain high in the years ahead, albeit somewhat lower than the high level observed this summer. Export prices for gas have shown roughly the same development as oil prices, and we assume that this tendency will continue.

### Moderate increase in business investment ahead

A cyclical upturn is normally driven by strong investment growth. The level of mainland business investment in the second quarter of 2011 was 3.6 per

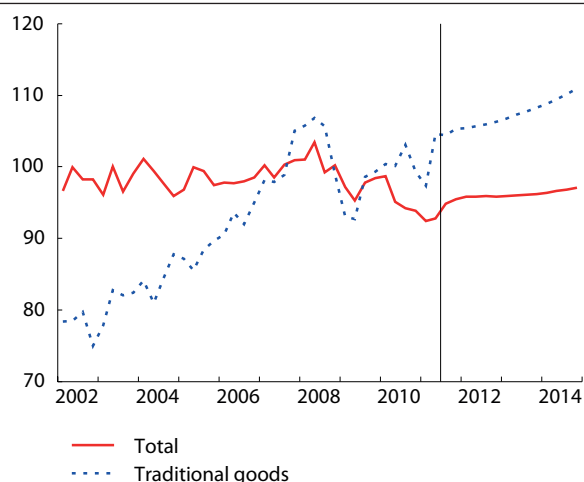
Table 3. Main economic indicators 2010-2014. Accounts and forecasts. Percentage change from previous year unless otherwise noted

|                                                                | Accounts<br>2010* | Forecasts |        |       |       |       |       |       |       |       |
|----------------------------------------------------------------|-------------------|-----------|--------|-------|-------|-------|-------|-------|-------|-------|
|                                                                |                   | 2011      |        |       | 2012  |       | 2013  |       | 2014  |       |
|                                                                |                   | SN        | NB     | MoF   | SN    | NB    | SN    | NB    | SN    | NB    |
| <b>Demand and output</b>                                       |                   |           |        |       |       |       |       |       |       |       |
| Consumption in households etc.                                 | 3.7               | 2.8       | 3 1/2  | 3.5   | 4.7   | 4 1/2 | 5.3   | 3 1/4 | 4.8   | 3     |
| General government consumption                                 | 2.2               | 2.1       | 2      | 2.3   | 2.7   | 2 1/4 | 2.6   | ..    | 3.1   | ..    |
| Gross fixed investment                                         | -7.4              | 7.0       | ..     | 6.8   | 8.8   | ..    | 6.6   | ..    | 4.1   | ..    |
| Extraction and transport via pipelines <sup>1</sup>            | -12.4             | 8.7       | 15     | 7.5   | 8.3   | 10    | 2.3   | 5     | 2.8   | 1 1/2 |
| Mainland Norway                                                | -3.1              | 9.2       | 8 1/4  | 6.9   | 8.0   | 7     | 7.8   | ..    | 4.5   | ..    |
| Industries                                                     | -1.2              | 5.9       | ..     | 7.4   | 4.9   | ..    | 6.8   | ..    | 5.2   | ..    |
| Housing                                                        | -2.2              | 24.1      | ..     | 7.0   | 16.5  | ..    | 6.4   | ..    | 2.0   | ..    |
| General government                                             | -8.0              | 2.6       | ..     | 5.5   | 5.7   | ..    | 12.0  | ..    | 6.0   | ..    |
| Demand from Mainland Norway <sup>2</sup>                       | 2.0               | 3.7       | 3 3/4  | 3.7   | 4.8   | 4 1/2 | 5.1   | 3     | 4.3   | 2 3/4 |
| Stockbuilding <sup>3</sup>                                     | 3.2               | 1.0       | ..     | ..    | -0.7  | ..    | 0.0   | ..    | 0.0   | ..    |
| Exports                                                        | -1.7              | -0.9      | ..     | 1.7   | 1.4   | ..    | 0.1   | ..    | 0.7   | ..    |
| Crude oil and natural gas                                      | -7.4              | -3.9      | ..     | -2.0  | 1.6   | ..    | -1.4  | ..    | -0.9  | ..    |
| Traditional goods <sup>4</sup>                                 | 4.9               | 2.8       | 2 1/4  | 4.5   | 2.2   | 5     | 1.6   | ..    | 2.2   | ..    |
| Imports                                                        | 9.0               | 6.9       | 8 3/4  | 6.5   | 4.6   | 4     | 5.7   | ..    | 5.0   | ..    |
| Traditional goods                                              | 8.3               | 6.6       | ..     | 6.8   | 7.5   | ..    | 6.8   | ..    | 5.8   | ..    |
| Gross domestic product                                         | 0.3               | 1.6       | 1 3/4  | 2.1   | 2.9   | 2 3/4 | 2.6   | 2 1/4 | 2.4   | 2     |
| Mainland Norway                                                | 2.1               | 2.7       | 3      | 3.2   | 3.5   | 3 3/4 | 3.6   | 3 1/4 | 3.2   | 2 3/4 |
|                                                                |                   |           |        |       |       |       |       |       |       |       |
| <b>Labour market</b>                                           |                   |           |        |       |       |       |       |       |       |       |
| Employed persons                                               | -0.2              | 1.2       | 1 1/4  | 1.1   | 2.1   | 1 1/2 | 2.0   | 1 1/4 | 1.3   | 1     |
| Unemployment rate (level)                                      | 3.6               | 3.4       | 3 1/4  | 3.2   | 3.4   | 3     | 3.3   | 3     | 3.3   | 3 1/4 |
|                                                                |                   |           |        |       |       |       |       |       |       |       |
| <b>Prices and wages</b>                                        |                   |           |        |       |       |       |       |       |       |       |
| Annual earnings                                                | 3.7               | 4.1       | 4 1/4  | 3.9   | 3.6   | 4 3/4 | 3.7   | 4 3/4 | 4.4   | 4 1/2 |
| Consumer price index (CPI)                                     | 2.5               | 1.4       | 1 3/4  | 1.8   | 0.9   | 1 3/4 | 1.6   | 2 1/2 | 1.8   | 2 1/2 |
| CPI-ATE <sup>5</sup>                                           | 1.4               | 1.0       | 1      | 1.3   | 1.1   | 2     | 1.6   | 2 1/2 | 1.9   | 2 1/2 |
| Export prices, traditional goods                               | 3.7               | 5.5       | ..     | 7.7   | -2.1  | ..    | 0.3   | ..    | 1.6   | ..    |
| Import prices, traditional goods                               | -0.2              | 3.0       | ..     | 5.0   | -2.7  | ..    | 0.0   | ..    | 1.0   | ..    |
| Housing prices                                                 | 8.3               | 8.5       | ..     | ..    | 6.1   | ..    | 5.7   | ..    | 8.0   | ..    |
|                                                                |                   |           |        |       |       |       |       |       |       |       |
| <b>Balance of payment</b>                                      |                   |           |        |       |       |       |       |       |       |       |
| Current balance (bill. NOK)                                    | 310.0             | 330.7     | ..     | 384.4 | 281.7 | ..    | 252.0 | ..    | 236.2 | ..    |
| Current balance (per cent of GDP)                              | 12.4              | 12.5      | ..     | 14.2  | 10.2  | ..    | 8.7   | ..    | 7.8   | ..    |
|                                                                |                   |           |        |       |       |       |       |       |       |       |
| <b>Memorandum items:</b>                                       |                   |           |        |       |       |       |       |       |       |       |
| Household savings ratio (level)                                | 7.6               | 9.1       | ..     | 7.3   | 8.7   | ..    | 8.1   | ..    | 7.4   | ..    |
| Money market rate (level)                                      | 2.5               | 2.9       | 2.9    | 3.0   | 3.1   | 3.8   | 3.4   | 4.8   | 4.1   | 5.1   |
| Lending rate, banks (level) <sup>6</sup>                       | 4.5               | 4.8       | ..     | ..    | 5.0   | ..    | 5.1   | ..    | 5.7   | ..    |
| Crude oil price NOK (level) <sup>7</sup>                       | 484               | 595       | ..     | 575   | 546   | ..    | 562   | ..    | 581   | ..    |
| Export markets indicator                                       | 10.7              | 5.3       | ..     | ..    | 2.2   | ..    | 3.1   | ..    | 4.2   | ..    |
| Importweighted krone exchange rate (44 countries) <sup>8</sup> | -3.7              | -2.8      | -2 1/2 | ..    | -1.8  | 0     | -1.1  | 1/2   | -0.6  | 1/4   |

<sup>1</sup> Forecasts from Ministry of Finance incl. service activities incidental to extraction.<sup>2</sup> Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway..<sup>3</sup> Change in stockbuilding. Per cent of GDP.<sup>4</sup> Norges Bank estimates traditional exports, which also includes some services.<sup>5</sup> CPI adjusted for tax changes and excluding energy products (CPI-ATE).<sup>6</sup> Yearly average.<sup>7</sup> Average spot price, Brent Blend.<sup>8</sup> Increasing index implies depreciation. Ministry of Finance forecasts trade-weighted exchange rate.

Source: Statistics Norway (SN). Ministry of Finance. St.meld. nr.2 (2010-2011). (MoF). Norges Bank. Pengopolitisk rapport 2/2011 (NB)

Figure 9. Exports. Seasonally adjusted volume indices. 2007=100



Source: Statistics Norway.

cent higher than in the previous quarter. The relatively strong second quarter growth must be viewed in conjunction with a low level of investment in the first quarter. The investment level in the second quarter was 3.3 per cent higher than in the same quarter a year earlier. This moderate growth reflects a weak economic turnaround.

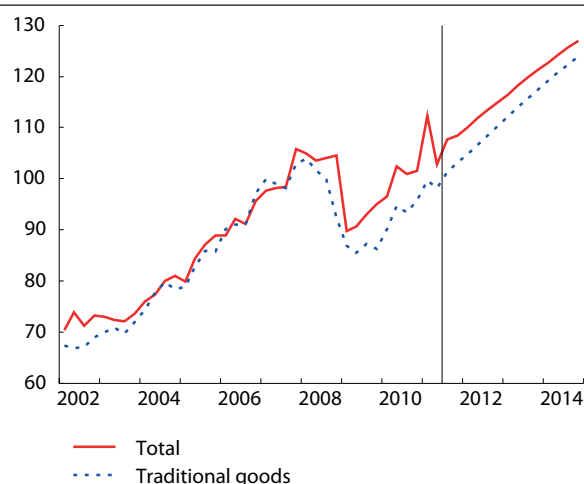
There are prospects of increased manufacturing investment. Although the investment level in the second quarter of this year was 8.9 per cent lower than in the same quarter in 2010, it was nonetheless 3.6 per cent higher than in the first quarter. Statistics Norway's most recent investment intentions survey of selected companies' own assumptions regarding future investment indicates growth of about 4 per cent in 2011. The window for reporting investment intentions for the third quarter is from mid-July to the beginning of August. Since then, new information has been received that has reinforced an already pessimistic picture of the global economy. When we adjust for the global economic situation and normal under-reporting, the investment intentions survey implies further investment growth of about 10 per cent in 2012.

Investment in electricity supply has grown strongly in recent years, boosted by the development of wind farms and a number of large projects relating to the production and distribution of district heating. The already high level in 2010 is expected to increase by around 20 per cent in 2011 and 10 per cent in 2012.

Investment in service industries has shown trend growth in the past few quarters. The level in the second quarter of 2011 was 3.1 per cent higher than in the same quarter the previous year and 3.7 per cent higher than in the first quarter. Growth in investment in air transport and retail trade has been particularly high.

Business investment is expected to increase going forward but at a slower pace than in previous cyclical upturns. Persistently high annual growth rates, from

Figure 10. Imports. Seasonally adjusted volume indices. 2007=100



Source: Statistics Norway.

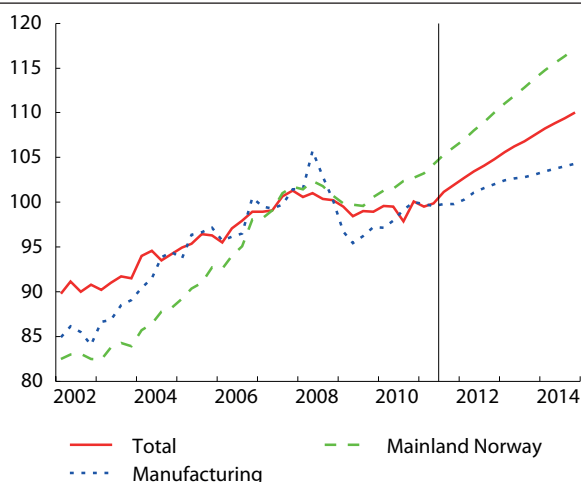
10 to 20 per cent, characterise business investment in the last three expansions the Norwegian economy has undergone (see Fig. 2.12). In the approaching upturn, which is expected to last through the projection period, we estimate annual growth of around 5-7 per cent, partly as a result of pronounced growth in service sector investment. The investment level in 2014 will be about 5 per cent higher than the peak during the previous expansion.

### Lower external trade surplus

Norway's exports, imports and surplus on exports fell following the financial crisis in 2008 and through the cyclical downturn in 2009. In 2010, the external account reflected a rebound and imports, traditional goods exports and prices for exports, particularly of oil and gas, rose appreciably. Developments in 2011 show a similar but less pronounced tendency. The global downturn is expected to dampen export growth and reduce the trade surplus in the next few years.

Seasonally-adjusted figures show that traditional exports increased in the second quarter of this year after falling in the two previous quarters. The growth can be largely attributed to developments in engineering products, metals, fish and refined oil products. In the second quarter, export volumes for a number of traditional goods were lower than levels in 2010. Exports of services fell slightly for the second successive quarter, and oil and gas exports continued their closer to trend decline. Unadjusted export prices for traditional goods, oil and gas and services continued to rise in the second quarter.

The weak global economic situation this year and the weaker developments we foresee are expected to contribute to weak growth in demand for Norwegian export goods. Loss of cost-competitiveness and thereby market shares throughout the projection period will exacerbate this situation. Growth in traditional goods exports in 2011 is estimated to be nearly halved in relation to last year, and to decline further in 2012

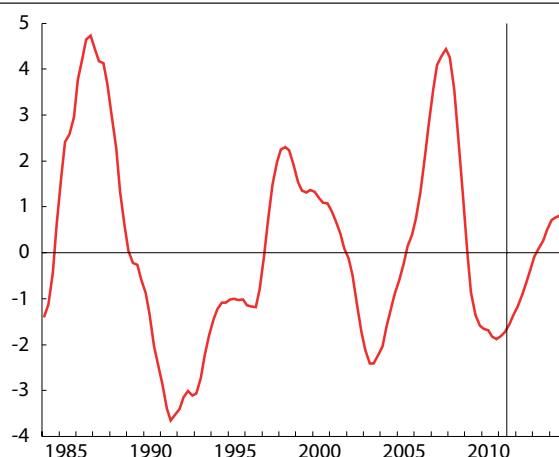
Figure 11. **Gross domestic product. Seasonally adjusted volume indices. 2007=100**

Source: Statistics Norway.

and 2013 before picking up slightly in 2014. Exports of services will show approximately the same growth as traditional exports, while exports of oil and gas will continue a production-based weak decline through the projection period.

Whereas exports reflect weak economic developments abroad, imports reflect relatively strong domestic demand growth. Both traditional and total exports showed a rise through 2010. In the first quarter of this year, the arrival of an oil platform and a frigate boosted import growth strongly. Since no significant imports of ships have been recorded as yet for the second quarter of this year, growth from the first to the second quarter was negative. Total second quarter imports were nonetheless higher than in any quarter in 2010. Import prices have fluctuated in the last few quarters. Prices for traditional import goods edged down from the first to the second quarter, while a relatively large rise in prices for imported services caused the price index for total imports to rise a few per cent.

The growth in the Norwegian economy is expected to gather pace despite the sombre global economic outlook. As a result, perceptible import growth is expected, but at a rate that is well below the growth rates prior to the financial crisis. This year traditional and total imports are growing slightly less than in 2010. In the next three years, traditional imports are expected to maintain a steady, high growth rate. The projections are based on solid growth in consumption and investment, which have a generally high import content. This year a steep rise in prices for imported petroleum products, metals, agricultural and fish products will maintain the rise in import prices at a high level. The global downturn is curbing cost and price inflation in many countries from which Norway receives imports. This, coupled with a strong krone during the projection period, implies a very low rise in import prices in the period ahead.

Figure 12. **Output gap. Mainland Norway. Deviation from trend. per cent**

Source: Statistics Norway.

Stronger import than export growth and constant terms of trade in the period from 2011 to 2014 point to a growing non-petroleum trade deficit. Persistently high oil prices will result in income from oil and gas exports of more than NOK 500 billion each year in the projection period. This year's trade surplus will therefore be somewhat higher than last year's but will then drop from over NOK 350 billion to about NOK 250 billion in 2014. Net interest and transfers are expected to show a deficit that will shrink to less than NOK 15 billion in 2014. The trade surplus as a share of GDP will accordingly fall a few per cent through the projection period, possibly to less than 10 per cent for the first time since the turn of the millennium.

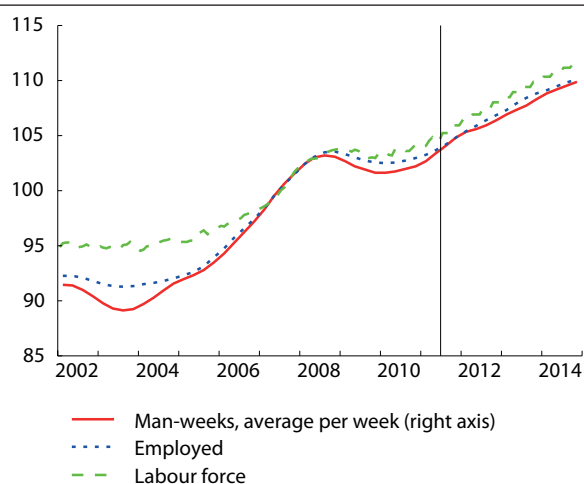
### Moderate cyclical upturn

The decline in the level of activity in the wake of the financial crisis came to a halt almost two years ago. However, no clear upturn has yet been observed in the Norwegian economy. The annualised growth rate for mainland GDP during this period has been 2.7 per cent, approximately in line with what we regard as trend growth in the Norwegian economy. The QNA figures for the second quarter of this year do show that mainland GDP increased by a whole 4.1 per cent compared with the previous quarter, measured as an annual rate, but a third of this growth is associated with two particular naturally occurring supply factors, i.e. developments in fish and power production. First quarter growth has now been revised down slightly to an annualised 1.9 per cent.

Increased general government activity contributed to curbing the slowdown after the financial crisis. In the last seven quarters, general government value added has increased, but growth has been steadier and generally lower than mainland growth otherwise. This was also the case in the second quarter of the current year. For almost two years, mainland GDP excluding general government has been consistently a little higher than GDP for the mainland economy as a whole. Mainland GDP excluding general government, electricity supply



Figure 13. **Labour force, employment and number of man-hours.** Seasonally adjusted and smoothed indices. 2007=100



Source: Statistics Norway.

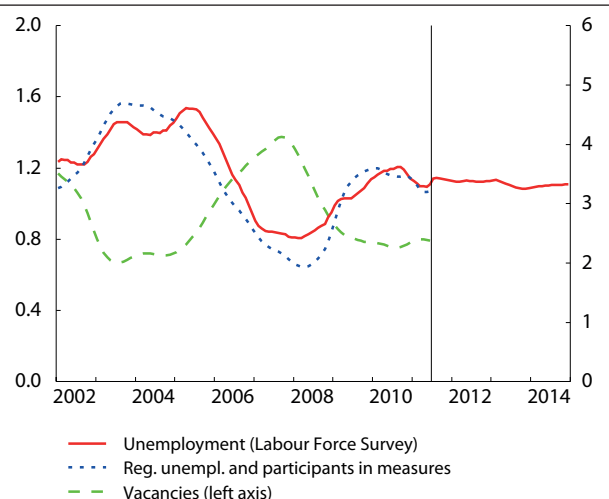
and fishing increased in both the first and second quarters of this year by an annualised 2.9 per cent. Underlying growth in the private sector of mainland Norway can thus be said to have been slightly over mainland trend growth.

In the second quarter of 2011, as in the previous quarter, the increase in the activity level took place largely in industries that primarily supply the domestic market, whereas developments were weaker in a number of typical export industries. There was clear growth in construction and private services while manufacturing activity fell slightly. It is also mainly the most export-oriented manufacturing segments that are showing weakest developments. The most recent business tendency survey for manufacturing, based on interviews in the period 10 June to 20 July, shows that expectations concerning third quarter developments were along the same lines.

Our calculations now show that mainland growth will pick up slightly going forward, and that we have entered a moderate cyclical upturn. Relatively high domestic demand growth dominates over very moderate international developments in demand. Internationally exposed activities are also affected by the fact that Norwegian costs are increasing more than those of competitor countries. The challenge presented by weakened cost-competitiveness is assumed to be exacerbated by an appreciably stronger krone exchange rate. As much of the increase in domestic demand is associated with investment, the level of manufacturing activity will increase nonetheless. Despite this, manufacturing value added appears unlikely to rise above the level in 2008 – the year when the financial crisis struck – before 2013. Private services exceeded the 2008 level last year already, and we expect construction activity to top the 2008 level in 2012.

Our projections up to 2014 imply only a weak increase in demand in Norwegian export markets. On the whole, our trading partners will not emerge from the current

Figure 14. **Unemployment and number of vacancies.** Per cent of labour force. Seasonally adjusted and smoothed



Source: The Norwegian Labour and Welfare Service and Statistics Norway.

cyclical downturn before the end of 2014. As a result, the upturn in the Norwegian economy is not expected to be strong. Mainland GDP is projected to increase by 2.7 per cent this year and around 3.5 per cent in the next three years. It is therefore considered possible that the moderate downturn that the Norwegian economy is currently in may last into early 2013. Export-oriented industries will probably continue to record lower growth than other industries.

### Unemployment stabilises

Seasonally adjusted QNA figures show employment growth of just over 8 000 persons, or 0.3 per cent, from the first to the second quarter of this year. Employment has increased by 32 000 persons since the turning point in the first quarter of 2010. Even after five quarters of continuous growth, employment in the second quarter of 2011 was still 14 000 persons less than during the previous peak in the third quarter of 2008. Employment in general government and in construction has increased by 17 000 and 7 000, respectively, during the last five quarters, and these segments therefore account for the bulk of the increase in employment. Seasonally adjusted employment figures for other labour-intensive industries such as manufacturing and retail trade showed relatively little change for this period, and lie far below the levels of the third quarter of 2008.

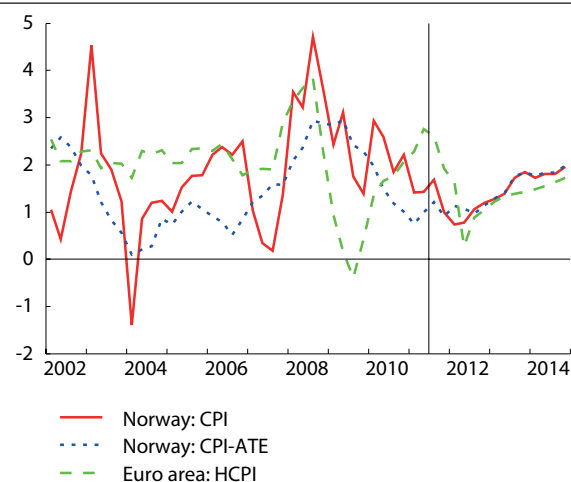
Statistics Norway's Labour Force Survey (LFS) shows that the unemployed constituted 3.3 per cent of the labour force, or 86 000 persons, in the period May-July this year, after adjustment for normal seasonal variations. This implies a slight increase in the unemployment rate from 3.2 per cent in the first quarter of 2011, but a decline from the unemployment peak of 3.6 per cent in the fourth quarter of 2010. So far in 2011, the unemployment rate has moved in the interval 3.2-3.4 per cent of the labour force. According to the LFS, average labour force participation, i.e. the sum of employed and unemployed measured as a share of the working age population, fell by 0.8 percentage point from the

second quarter of 2010 to the second quarter of 2011. The population aged between 15 and 74 increased by 63 000 while the labour force only increased by 15 000.

Figures for registered unemployment from the Norwegian Labour and Welfare Administration (NAV) show the same tendency as the LFS unemployment figures. Seasonally adjusted unemployment fell by about 8 300 from November 2010 to May 2011. Unemployment then increased by 800 from May until the end of August this year. In August, unemployment adjusted for normal seasonal variations increased by 300. If unemployed persons on ordinary labour market schemes are included, there are 1 300 more who either became unemployed or were on labour market schemes this past month. The combined numbers registered as fully unemployed or on labour market schemes fell by 3 200 from August 2010. At the end of August 2011, NAV reported that the inflow of new job-seekers has increased in recent months and that there are 3 per cent fewer vacancies than at the same time last year. The August figures may imply that the turbulence in financial markets and expectations of lower economic activity have led to the business sector taking a more wait-and-see attitude to new appointments. Unemployment will probably rise somewhat more as winter approaches, and average LFS unemployment for 2011 is expected to be 3.4 per cent.

According to the LFS, employment growth was high enough to bring seasonally adjusted unemployment down by 4 000 from the first quarter of 2010 to the second quarter of 2011. In light of the fact that the working age population, i.e. persons aged between 15 and 74, has increased by 160 000 since the third quarter of 2008, and employment according to the QNA has not yet caught up to the level at that time, the LFS unemployment level may seem low. The unemployment level must be viewed in conjunction with the fact that the labour force (sum of employed and unemployed) has increased by a moderate 25 000 persons during the same three-year period. According to the LFS, average labour force participation fell from 74.3 per cent in the third quarter of 2008 to 71.7 per cent in the second quarter of this year. The decline relates to the fact that over two thirds of the population growth in the period took place in age groups where labour force participation is relatively lower than the average, i.e. the age groups under 25 and over 54. An increase of 53 000 persons in the age group between 25 and 54 and lower labour force participation also by this group since the third quarter of 2008 may indicate some concealed unemployment. It is usual for some workers to drop out of the labour market in periods when it is difficult to find work, and then return when the job prospects improve. Our projection scenario is based on expectations of increased labour force participation and that the labour force will accordingly increase more than purely demographic factors would indicate. The population projections used in the forecast indicate high growth in the labour force

Figure 15. Consumer price indices. Percentage growth from the same quarter previous year



Source: Statistics Norway.

in the years ahead, even given unchanged labour force participation rates.

According to the LFS, there were 18 000 more persons in education in the second quarter of 2011 than in the second quarter of 2010 among those who were outside the labour force. The numbers of applicants for tertiary education are high this year again. Figures from the Norwegian Universities and Colleges Admission Service show that over 50 500 student places are planned this year, a 1.5 per cent increase on the previous year. The admissions service recorded a rise in the number of applicants this year too. The increase in applications for tertiary education in the last five years must be seen against the background of larger cohorts of adolescents. Statistics Norway's education statistics show that about 30 per cent of the country's 19-24 year-olds were taking higher education in autumn 2010. Application figures from the admission service indicate that the propensity for education of the younger cohorts remains at approximately the same level in autumn 2011. Statistics Norway's education statistics show growth in the number of higher level university examinations taken, which may indicate an increase in the average length of studies. The propensity for education and study length influence the average labour force participation rates. We foresee that labour force participation rates will increase with an improved economic outlook, also for the youngest population groups, in the projection period up to 2014.

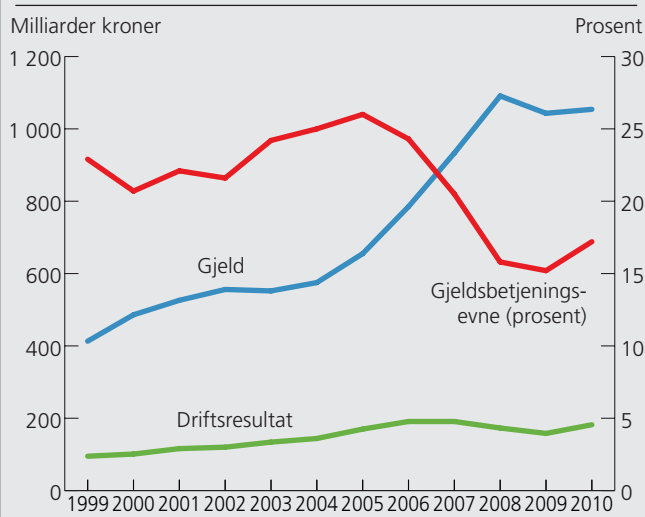
With effect from 2011 there are new, flexible rules for drawing an old-age pension from the National Insurance Fund. The effects of the pension reform on the supply of labour from older employees may be particularly large in the current year, since five age cohorts have been able to make use of this scheme. Developments in unadjusted LFS figures from the first half of 2010 to the first half of 2011 indicate that the labour force participation rates for the oldest age groups are minimally affected by the reform, but NAV

### Box 2.2. Financial situation of the enterprise sector

Statistics Norway's credit indicator statistics show that debt in the non-financial enterprise sector was NOK 1 202 billion at end-2010, thereby accounting for one third of gross domestic debt. Households and local government accounted for 59 per cent and 8 per cent respectively. The non-financial enterprises took on NOK 13 billion in debt in the first half of 2011, an annualised increase of 2.2 per cent. Following a reduction in 2009, corporate debt rose moderately in 2010.

Non-financial mainland enterprises had gross debt of NOK<sup>1</sup> 054 billion at end-2010. These enterprises had an estimated operating result<sup>1</sup> of NOK 182 billion in 2010. If we regard debt-servicing capacity as operating result expressed as a percentage of debt, debt-servicing capacity increased from 15.2 per cent in 2009 to 17.2 per cent in 2010 as a result of the increase in operating results. By comparison, debt-servicing capacity ranged from 20 to 26 per cent throughout the period 1999 – 2007 (see Fig. 1). The enterprise sector's debt-servicing capacity has thus been substantially weakened since the financial crisis in 2008, and in 2010 was markedly lower than in the previous downturn.

**Figure 1. Gross debt, operating result and debt-servicing capacity – non-financial enterprises, mainland Norway**



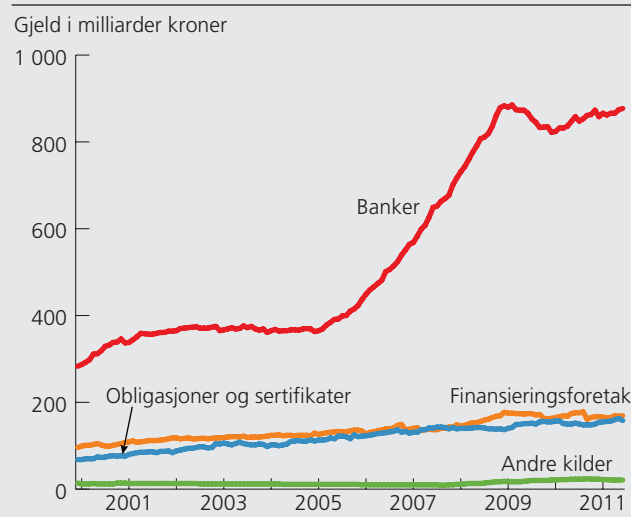
### Composition of debt

Bank loans are by far the most widely used source of funding for the enterprise sector and accounted for 71 per cent of non-financial enterprises' gross debt at end-2010. Bank loans have also become far more important than previously, and in 2004 accounted for 59 per cent of the debt of these enterprises. Loans from finance enterprises (mortgage co) counted for less than 2 per cent at end-2010.

The enterprise sector's high and increasing exposure to banks is probably attributable to the banks' low interest rates and readiness to lend during the period. However, the high bank debt implies greater financial vulnerability if the banks are obliged to reduce their lending in the event of a new global financial crisis. Tighter credit practice by banks in relation to the enterprise sector will thus hit a larger share of enterprises than previously. In the cyclical downturn in 2008 and 2009, many enterprises had difficulty in securing credit for operations and investments. This was largely due to the banks' sharp tightening of their credit practice in relation to their customers.

<sup>1</sup> Operating result is defined as ordinary result before financial income and costs. The operating result of non-financial mainland enterprises is calculated from national accounts figures.

**Figure 2. Sources of enterprise sector funding**



figures show that many have chosen to draw an old-age pension.

Statistics Norway's population statistics show that registered residence figures increased by 32 700 persons in the first half of 2011. Net immigration of Polish citizens accounted for almost 25 per cent of an overall immigration surplus of 23 200 persons. The immigration surplus accounted for a full 71 per cent of population growth. We have based our projections on the main scenario from Statistics Norway's most recent population projections. In this scenario, population growth is high for the first few projection years, and increases from 62 000 in 2010 to 70 000 in 2014. This implies an annual overall population growth of 1.3-1.4 per cent in the projection period. The level of future inward labour migration is a particular uncertainty factor with respect to the labour supply.

In the years ahead, higher growth in household demand will cause a rise in employment in labour-intensive service industries. High growth in demand for dwellings and commercial buildings contributes to growth in employment in the construction industry. General government employment increases roughly in pace with overall employment. All in all, we assume that the number employed will increase by about 180 000 over the next four years to the end of 2014.

In the light of the turmoil in international financial markets and weaker growth prospects for the export market, we foresee a moderate increase in unemployment towards the winter. Even supposing a substantial increase in employment in the years ahead, we do not anticipate any pronounced fall in the unemployment level, which is expected to be about 90 000 in all the years of the projection period. This means that

employment growth is roughly the same magnitude as growth in the labour force. Higher labour force participation for all age groups is expected later in the business cycle. This is to some extent a reversal of the decline in the wake of the financial crisis. According to the LFS, average unemployment was 3.6 per cent in 2010, 0.4 percentage point higher than in 2009. We expect an unemployment rate of 3.4 per cent in 2011 and 2012, falling to 3.3 per cent in 2013 and 2014.

### Lower wage growth

The financial crisis hit the wage-leading manufacturing industry hard. From the second quarter of 2008 to the second quarter of 2009, gross manufacturing production fell by almost 10 per cent, and was followed by staff cutbacks of 25 000 persons up to the first quarter of 2010. This contributed to a substantial slowing of wage growth in all industries. In the course of two years, growth in annual wages was reduced from 6.3 per cent in 2008 to 3.7 per cent in 2010. Manufacturing production picked up at the end of 2009 and through 2010, and in the last few quarters higher growth in domestic demand has generated growth impulses to the business sector. Wage growth has accordingly edged up again.

This year's wage settlement was an interim settlement, and the parties reached agreement in most areas without mediation. We estimate overall annual wage growth of 4.1 per cent in 2011. Of this, the year's negotiated pay increase contributes about 1¼ percentage points to annual growth, while the full-year effect of last year's wage growth accounts for about 1.5 percentage points. In addition comes wage drift, which consists of all wage growth additional to the negotiated pay increases, including wage differences among those who go in and out of employment and wage growth for employees who are not covered by collective wage agreements. Wage drift tends to increase during upturns and is estimated to be higher than in connection with the previous interim settlement in 2009. This assumption is underpinned by Statistics Norway's wage statistics, which show higher bonus payments in a number of industries than last year. The increase was particularly large in the metals industry. Given relatively moderate inflation, our wage projection implies real wage growth of 2.7 per cent this year. This is the highest since 2007.

In the years ahead, we assume that developments in household consumption and business investment will lead to a stronger rise in domestic demand than in recent years. This will increase profitability in large segments of the Norwegian business sector. Unemployment will be moderate and also decline somewhat in the years ahead. The domestic situation therefore implies somewhat higher wage growth. At the same time, growth in global markets has been revised appreciably downwards by comparison with our previous report. A stronger krone exchange rate will exert pressure on the competitiveness of manufacturing companies, giving reason to assume that the high bonus payments seen this year will not be continued. We therefore believe

that wage growth will be somewhat weaker in 2012 and 2013 than this year. Global economic growth will probably pick up towards the end of the projection period, and in 2014 profitability in the internationally exposed manufacturing sector will probably improve. Annual wage growth in Norway may by then have risen to 4.4 per cent.

The labour cost share of manufacturing earnings has been record-low through much of the 2000s, despite the fact that wage growth in Norway has been far higher than among trading partners. The high wage growth has been possible after several years of favourable developments in prices for Norwegian export products, which has increased manufacturing profitability. Since the financial crisis, the labour cost share has risen considerably, and in 2009 and 2010 labour costs accounted for 70 per cent of value added in manufacturing, compared with around 65 per cent in the years 2004-2007. However, even after the increase of recent years, the labour cost share is still lower than it was before the 2000s. Manufacturing profitability can therefore still be regarded as relatively good. Our wage growth projections imply a considerable loss of cost-competitiveness in the period ahead. Norway's trading partners are struggling, and wage growth in competitor countries must be expected to be very low for a number of years. In addition, the krone will grow steadily stronger according to our projections, and this will slow down the rise in prices for export products measured in Norwegian kroner. We forecast that a euro will cost NOK 7.55 in 2014 as an annual average. Measured by Norges Bank's trade-weighted exchange rate index or the import-weighted exchange rate index, the krone will then be stronger than at any time since the turn of the millennium. We nevertheless envisage that manufacturing profitability will improve somewhat this year and next, and that it will only decline slightly up to 2014. The reason for this is partly that the advantageous price developments in export markets are continuing, and partly that Norwegian manufacturing investment is contributing to higher productivity growth.

### Low inflation

Inflation measured by the 12-month change in the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) has been appreciably lower than the inflation target of 2.5 per cent since the beginning of 2010. So far this year this measure of inflation has been in the range 0.7-1.3 per cent, and the most recent observations showed a rise from 0.7 per cent in June to 1.2 per cent in July. The rise in the CPI-ATE from December 2010 to July this year, measured in seasonally adjusted figures, was an annualised 1.1 per cent. Over half of this increase took place in July. However there have been considerable fluctuations from month to month, so it is too early to say whether this indicates the start of a period of rising inflation. The consumer price index (CPI) in July was 1.6 per cent higher than in July 2010. So far this year



the 12-month rise in the CPI has been in the interval 1.0-2.0 per cent with an average of 1.5 per cent.

Much of the change in the 12-month rise in the CPI-ATE from June to July can be attributed to a marked rise in food prices. The inflation rate also increased because air travel prices and hotel occupancy rates fell appreciably less from June to July this year than in the same period last year. A breakdown of the CPI-ATE by supplier sector shows an approximately unchanged year-on-year rise in prices for imported consumer goods in recent months. The July inflation increase can therefore be attributed to goods and services that are defined in the CPI as produced in Norway. World market conditions may nevertheless have played a part in that imported goods are inputs into Norwegian production and that prices for goods produced in Norway are influenced or determined by international developments. There was a substantial increase through the second half of 2010 in world market prices measured in US dollars for food products, but they have subsequently been quite stable. The increase in Norwegian food prices in July has to some extent been a time-lagged effect of the higher world market prices. Higher target prices from the agricultural settlement in Norway have also contributed.

The low inflation in Norway in the last two years has occurred despite a marked increase in energy prices, and can be ascribed to several factors. The Norwegian krone has grown generally stronger, which reinforces the effects of the increasing production of consumer goods in low-cost countries. Norwegian wage growth has also been moderate, and an important price component like rent has increased relatively little recently. Rent is a cost component for the business sector, and has been low for a long time. A relatively weak economic situation with some idle resources has also contributed to restraining the business sector's mark-ups.

Exchange rate movements are expected to be an important factor influencing inflation in the period ahead. A further strengthening of the krone exchange rate may lead to lower Norwegian CPI inflation through several channels: through prices for imported consumer goods directly; through prices for imported production inputs; and through the appreciation of the krone as an isolated factor reducing world market prices for some inputs produced in Norway and measured in kroner. A strong krone also has a dampening effect on economic activity in itself, because it becomes more difficult to compete with foreign companies, both in Norwegian export markets and at home, and the profitability of internationally exposed industries will be reduced. This pushes down wage growth and thereby keeps inflation low.

We assume that domestic factors will contribute to an improvement of the economic situation in the period ahead. Given the current situation, however, wage growth will remain a little lower than this year until 2014, when it will rise slightly. In the short term, we

assume that inflation will remain at about today's level, and perhaps even edge down a little. In the longer term, inflation will increase as a result of the negative price impulses from abroad diminishing as the appreciation of the krone abates. In addition, gradually increasing domestic costs will contribute to somewhat higher inflation. We project that the CPI-ATE will increase by 1.0 per cent in 2011 as an annual average, gradually rising to 1.9 per cent in 2014.

Whereas the CPI-ATE can provide information about underlying inflation, the CPI is relevant when households' actual living costs are considered. The difference between developments in the CPI-ATE and the CPI has for many years been dominated by developments in energy prices, particularly electricity prices. In December 2010, electricity prices were almost 40 per cent higher than 12 months previously, which contributed to the 12-month rise in the CPI reaching 2.8 per cent. Electricity prices fell gradually from January to July this year, by almost 25 per cent overall. The price level in July was about 2 per cent lower than in July last year. So far this year, oil prices have been far higher than last year, however. As a result, energy products as a whole in the CPI are still appreciably higher in price than they were a year ago, and the year-on-year rise in the CPI in July was 0.4 percentage point higher than for the CPI-ATE.

Prices in the electricity forward market point to moderately rising prices for the remainder of 2011 and into 2012. On an annual basis, we assume that electricity prices will fall a little from 2010 to this year, and a little further from this year to 2012. We then expect roughly unchanged prices up to 2014. The oil price, measured in NOK, appears likely to be substantially higher this year than last. We assume that the average price will be lower next year than this year before increasing moderately in 2013 and 2014.

Developments in energy prices will contribute to pushing up CPI inflation in 2011 and down in 2012. We assume that they will move more in line with other prices in subsequent years. No real changes of any significance are expected in indirect taxes. We therefore expect the CPI to rise by an annual average of 1.4 per cent this year and 0.9 per cent next year. We then expect a gradual rise roughly in pace with developments in the CPI-ATE, bringing CPI inflation up to 1.8 per cent in 2014.

Table 4. National accounts: Final expenditure and gross domestic product. At constant 2007 prices. Million kroner

|                                                        | Unadjusted |           | Seasonally adjusted |         |         |         |         |         |         |         |
|--------------------------------------------------------|------------|-----------|---------------------|---------|---------|---------|---------|---------|---------|---------|
|                                                        | 2009       | 2010      | 09.3                | 09.4    | 10.1    | 10.2    | 10.3    | 10.4    | 11.1    | 11.2    |
| Final consumption expenditure of households and NPISHs | 956 370    | 991 579   | 240 415             | 243 554 | 245 978 | 245 349 | 248 117 | 250 977 | 251 720 | 253 607 |
| Household final consumption expenditure                | 916 510    | 950 626   | 230 398             | 233 357 | 235 902 | 235 131 | 237 833 | 240 594 | 241 274 | 243 147 |
| Goods                                                  | 469 721    | 489 034   | 118 609             | 120 561 | 121 405 | 120 595 | 121 824 | 123 927 | 123 179 | 123 913 |
| Services                                               | 415 841    | 425 308   | 104 235             | 104 650 | 105 266 | 105 987 | 106 816 | 107 177 | 107 905 | 108 816 |
| Direct purchases abroad by resident households         | 55 602     | 62 470    | 13 607              | 14 572  | 15 610  | 15 134  | 15 734  | 16 100  | 16 554  | 16 993  |
| Direct purchases by non-residents                      | -24 654    | -26 185   | -6 052              | -6 427  | -6 378  | -6 585  | -6 541  | -6 611  | -6 364  | -6 575  |
| Final consumption expenditure of NPISHs                | 39 860     | 40 952    | 10 017              | 10 198  | 10 075  | 10 218  | 10 284  | 10 384  | 10 446  | 10 460  |
| Final consumption expenditure of general government    | 487 106    | 497 712   | 122 611             | 121 778 | 123 198 | 124 096 | 125 532 | 124 750 | 124 819 | 126 103 |
| Final consumption expenditure of central government    | 252 663    | 252 066   | 63 213              | 63 510  | 62 585  | 62 961  | 63 563  | 62 886  | 63 042  | 64 541  |
| Central government. civilian                           | 220 418    | 219 823   | 55 118              | 55 660  | 54 661  | 54 878  | 55 436  | 54 777  | 54 880  | 56 065  |
| Central government. defence                            | 32 245     | 32 243    | 8 095               | 7 850   | 7 924   | 8 082   | 8 128   | 8 108   | 8 162   | 8 475   |
| Final consumption expenditure of local government      | 234 443    | 245 646   | 59 398              | 58 269  | 60 613  | 61 135  | 61 968  | 61 864  | 61 776  | 61 562  |
| Gross fixed capital formation                          | 481 146    | 445 463   | 113 249             | 122 569 | 104 645 | 114 606 | 109 246 | 116 747 | 115 163 | 114 972 |
| Extraction and transport via pipelines                 | 120 350    | 105 414   | 28 568              | 28 620  | 26 553  | 27 931  | 23 911  | 27 063  | 27 270  | 29 008  |
| Service activities incidental to extraction            | 10675      | 1695      | 1593                | 4468    | 176     | 457     | 407     | 655     | -211    | -132    |
| Ocean transport                                        | 18 367     | 16 852    | 4 407               | 4 824   | 2 366   | 5 560   | 5 229   | 3 596   | 3 974   | 754     |
| Mainland Norway                                        | 331 753    | 321 502   | 78 681              | 84 658  | 75 551  | 80 658  | 79 699  | 85 432  | 84 130  | 85 341  |
| Mainland Norway excluding general government           | 251 920    | 248 082   | 60 120              | 60 271  | 58 800  | 62 123  | 61 695  | 65 568  | 65 029  | 68 306  |
| Industries                                             | 178 949    | 176 714   | 42 489              | 42 936  | 41 500  | 44 764  | 43 677  | 46 862  | 44 662  | 46 267  |
| Manufacturing and mining                               | 23 861     | 19 937    | 5 457               | 4 898   | 5 473   | 4 947   | 4 671   | 5 042   | 4 370   | 4 526   |
| Production of other goods                              | 28 468     | 31 021    | 7 105               | 7 004   | 7 236   | 7 685   | 7 819   | 8 110   | 8 429   | 8 689   |
| Services                                               | 126 620    | 125 756   | 29 927              | 31 035  | 28 790  | 32 132  | 31 187  | 33 710  | 31 863  | 33 052  |
| Dwellings (households)                                 | 72 970     | 71 368    | 17 631              | 17 335  | 17 301  | 17 360  | 18 018  | 18 705  | 20 367  | 22 039  |
| General government                                     | 79 834     | 73 420    | 18 561              | 24 387  | 16 751  | 18 535  | 18 004  | 19 865  | 19 101  | 17 035  |
| Changes in stocks and statistical discrepancies        | -48 449    | 24 026    | -7 064              | -17 284 | 2 372   | 11 539  | 2 585   | 7 916   | 27 533  | 9 351   |
| Gross capital formation                                | 432 696    | 469 490   | 106 185             | 105 286 | 107 017 | 126 145 | 111 830 | 124 664 | 142 696 | 124 323 |
| Final domestic use of goods and services               | 1 876 172  | 1 958 781 | 469 211             | 470 619 | 476 193 | 495 590 | 485 479 | 500 391 | 519 234 | 504 033 |
| Final demand from Mainland Norway                      | 1 775 229  | 1 810 794 | 441 707             | 449 991 | 444 727 | 450 103 | 453 348 | 461 159 | 460 668 | 465 052 |
| Final demand from general government                   | 566 939    | 571 133   | 141 171             | 146 166 | 139 948 | 142 631 | 143 536 | 144 614 | 143 919 | 143 138 |
| Total exports                                          | 1 009 692  | 992 490   | 253 966             | 255 544 | 256 323 | 246 952 | 244 771 | 243 882 | 240 080 | 241 088 |
| Traditional goods                                      | 289 689    | 304 012   | 74 462              | 74 967  | 75 797  | 75 550  | 77 844  | 74 987  | 73 500  | 78 989  |
| Crude oil and natural gas                              | 465 978    | 431 700   | 118 601             | 114 716 | 111 522 | 111 991 | 103 130 | 104 325 | 102 424 | 97 833  |
| Ships. oil platforms and planes                        | 14 950     | 17 704    | 3 094               | 3 246   | 8 846   | 3 173   | 2 489   | 3 196   | 2 980   | 3 301   |
| Services                                               | 239 075    | 239 074   | 57 810              | 62 615  | 60 158  | 56 238  | 61 309  | 61 373  | 61 176  | 60 966  |
| Total use of goods and services                        | 2 885 864  | 2 951 271 | 723 177             | 726 163 | 732 516 | 742 542 | 730 250 | 744 272 | 759 314 | 745 121 |
| Total imports                                          | 636 827    | 694 424   | 160 867             | 164 270 | 166 925 | 177 051 | 174 426 | 175 525 | 194 019 | 177 679 |
| Traditional goods                                      | 396 201    | 428 974   | 99 890              | 98 772  | 103 233 | 108 439 | 106 989 | 109 669 | 114 178 | 112 338 |
| Crude oil and natural gas                              | 4 912      | 6 137     | 1 848               | 1 654   | 845     | 1 884   | 2 161   | 1 247   | 2 115   | 709     |
| Ships. oil platforms and planes                        | 25 988     | 32 864    | 5 450               | 10 418  | 7 922   | 9 951   | 7 883   | 7 108   | 22 126  | 6 266   |
| Services                                               | 209 726    | 226 448   | 53 679              | 53 426  | 54 926  | 56 778  | 57 392  | 57 501  | 55 599  | 58 367  |
| Gross domestic product (market prices)                 | 2 249 037  | 2 256 848 | 562 310             | 561 894 | 565 591 | 565 491 | 555 824 | 568 747 | 565 296 | 567 442 |
| Gross domestic product Mainland Norway (market prices) | 1 723 873  | 1 760 050 | 429 195             | 433 547 | 436 678 | 437 631 | 441 374 | 442 946 | 445 005 | 449 454 |
| Petroleum activities and ocean transport               | 525 164    | 496 797   | 133 114             | 128 347 | 128 913 | 127 860 | 114 449 | 125 801 | 120 291 | 117 988 |
| Mainland Norway (basic prices)                         | 1 475 053  | 1 504 364 | 366 962             | 370 195 | 373 167 | 374 442 | 377 391 | 378 543 | 379 908 | 384 112 |
| Mainland Norway excluding general government           | 1 134 411  | 1 156 989 | 281 824             | 284 408 | 287 054 | 287 887 | 290 252 | 291 055 | 291 990 | 295 686 |
| Manufacturing and mining                               | 201 844    | 206 117   | 50 313              | 50 836  | 50 807  | 51 216  | 51 835  | 52 270  | 52 179  | 52 075  |
| Production of other goods                              | 159 062    | 160 950   | 39 662              | 40 500  | 40 370  | 39 505  | 40 341  | 40 369  | 39 741  | 41 591  |
| Services incl. dwellings (households)                  | 773 505    | 789 921   | 191 849             | 193 072 | 195 877 | 197 165 | 198 075 | 198 415 | 200 069 | 202 020 |
| General government                                     | 340 642    | 347 375   | 85 138              | 85 787  | 86 113  | 86 555  | 87 139  | 87 488  | 87 918  | 88 426  |
| Taxes and subsidies products                           | 248 820    | 255 686   | 62 234              | 63 352  | 63 511  | 63 189  | 63 983  | 64 403  | 65 097  | 65 343  |

Source: Statistics Norway.

Table 5. **National accounts: Final expenditure and gross domestic product. At constant 2007 prices. Percentage change from the previous period**

|                                                        | Unadjusted |        | Seasonally adjusted |       |        |       |       |       |        |       |
|--------------------------------------------------------|------------|--------|---------------------|-------|--------|-------|-------|-------|--------|-------|
|                                                        | 2009       | 2010   | 09.3                | 09.4  | 10.1   | 10.2  | 10.3  | 10.4  | 11.1   | 11.2  |
| Final consumption expenditure of households and NPISHs | 0.2        | 3.7    | 1.0                 | 1.3   | 1.0    | -0.3  | 1.1   | 1.2   | 0.3    | 0.7   |
| Household final consumption expenditure                | 0.0        | 3.7    | 1.0                 | 1.3   | 1.1    | -0.3  | 1.1   | 1.2   | 0.3    | 0.8   |
| Goods                                                  | -0.2       | 4.1    | 1.9                 | 1.6   | 0.7    | -0.7  | 1.0   | 1.7   | -0.6   | 0.6   |
| Services                                               | 0.8        | 2.3    | 0.4                 | 0.4   | 0.6    | 0.7   | 0.8   | 0.3   | 0.7    | 0.8   |
| Direct purchases abroad by resident households         | -6.8       | 12.4   | -1.8                | 7.1   | 7.1    | -3.0  | 4.0   | 2.3   | 2.8    | 2.7   |
| Direct purchases by non-residents                      | -7.0       | 6.2    | 0.8                 | 6.2   | -0.8   | 3.2   | -0.7  | 1.1   | -3.7   | 3.3   |
| Final consumption expenditure of NPISHs                | 3.4        | 2.7    | 1.2                 | 1.8   | -1.2   | 1.4   | 0.6   | 1.0   | 0.6    | 0.1   |
| Final consumption expenditure of general government    | 4.8        | 2.2    | 0.7                 | -0.7  | 1.2    | 0.7   | 1.2   | -0.6  | 0.1    | 1.0   |
| Final consumption expenditure of central government    | 4.9        | -0.2   | 0.1                 | 0.5   | -1.5   | 0.6   | 1.0   | -1.1  | 0.2    | 2.4   |
| Central government. civilian                           | 5.6        | -0.3   | 0.5                 | 1.0   | -1.8   | 0.4   | 1.0   | -1.2  | 0.2    | 2.2   |
| Central government. defence                            | 0.5        | 0.0    | -2.6                | -3.0  | 0.9    | 2.0   | 0.6   | -0.2  | 0.7    | 3.8   |
| Final consumption expenditure of local government      | 4.6        | 4.8    | 1.3                 | -1.9  | 4.0    | 0.9   | 1.4   | -0.2  | -0.1   | -0.3  |
| Gross fixed capital formation                          | -6.8       | -7.4   | -4.6                | 8.2   | -14.6  | 9.5   | -4.7  | 6.9   | -1.4   | -0.2  |
| Extraction and transport via pipelines                 | 5.8        | -12.4  | -6.2                | 0.2   | -7.2   | 5.2   | -14.4 | 13.2  | 0.8    | 6.4   |
| Service activities incidental to extraction            | 98.3       | -84.1  | ..                  | 180.4 | -96.1  | 159.5 | -10.9 | 61.1  | -132.2 | -37.5 |
| Ocean transport                                        | -25.8      | -8.2   | -5.1                | 9.4   | -51.0  | 135.0 | -6.0  | -31.2 | 10.5   | -81   |
| Mainland Norway                                        | -10.9      | -3.1   | -6.1                | 7.6   | -10.8  | 6.8   | -1.2  | 7.2   | -1.5   | 1.4   |
| Mainland Norway excluding general government           | -15.4      | -1.5   | -6.4                | 0.3   | -2.4   | 5.7   | -0.7  | 6.3   | -0.8   | 5.0   |
| Industries                                             | -14.4      | -1.2   | -7.4                | 1.1   | -3.3   | 7.9   | -2.4  | 7.3   | -4.7   | 3.6   |
| Manufacturing and mining                               | -30.0      | -16.4  | -18.0               | -10.3 | 11.8   | -9.6  | -5.6  | 8.0   | -13.3  | 3.6   |
| Production of other goods                              | -18.3      | 9.0    | 0.6                 | -1.4  | 3.3    | 6.2   | 1.7   | 3.7   | 3.9    | 3.1   |
| Services                                               | -9.6       | -0.7   | -7.0                | 3.7   | -7.2   | 11.6  | -2.9  | 8.1   | -5.5   | 3.7   |
| Dwellings (households)                                 | -17.8      | -2.2   | -3.9                | -1.7  | -0.2   | 0.3   | 3.8   | 3.8   | 8.9    | 8.2   |
| General government                                     | 7.0        | -8.0   | -4.9                | 31.4  | -31.3  | 10.7  | -2.9  | 10.3  | -3.8   | -10.8 |
| Changes in stocks and statistical discrepancies        | -313.3     | -149.6 | -29.8               | 144.7 | -113.7 | 386.5 | -77.6 | 206.3 | 247.8  | -66.0 |
| Gross capital formation                                | -19.7      | 8.5    | -2.3                | -0.8  | 1.6    | 17.9  | -11.3 | 11.5  | 14.5   | -12.9 |
| Final domestic use of goods and services               | -4.2       | 4.4    | 0.2                 | 0.3   | 1.2    | 4.1   | -2.0  | 3.1   | 3.8    | -2.9  |
| Final demand from Mainland Norway                      | -1.0       | 2.0    | -0.4                | 1.9   | -1.2   | 1.2   | 0.7   | 1.7   | -0.1   | 1.0   |
| Final demand from general government                   | 5.1        | 0.7    | -0.1                | 3.5   | -4.3   | 1.9   | 0.6   | 0.8   | -0.5   | -0.5  |
| Total exports                                          | -3.9       | -1.7   | 2.6                 | 0.6   | 0.3    | -3.7  | -0.9  | -0.4  | -1.6   | 0.4   |
| Traditional goods                                      | -8.1       | 4.9    | 6.4                 | 0.7   | 1.1    | -0.3  | 3.0   | -3.7  | -2.0   | 7.5   |
| Crude oil and natural gas                              | -0.9       | -7.4   | 3.8                 | -3.3  | -2.8   | 0.4   | -7.9  | 1.2   | -1.8   | -4.5  |
| Ships. oil platforms and planes                        | 5.3        | 18.4   | -10.4               | 4.9   | 172.6  | -64.1 | -21.6 | 28.4  | -6.8   | 10.8  |
| Services                                               | -4.5       | 0.0    | -3.5                | 8.3   | -3.9   | -6.5  | 9.0   | 0.1   | -0.3   | -0.3  |
| Total use of goods and services                        | -4.1       | 2.3    | 1.0                 | 0.4   | 0.9    | 1.4   | -1.7  | 1.9   | 2.0    | -1.9  |
| Total imports                                          | -11.7      | 9.0    | 2.7                 | 2.1   | 1.6    | 6.1   | -1.5  | 0.6   | 10.5   | -8.4  |
| Traditional goods                                      | -13.1      | 8.3    | 2.0                 | -1.1  | 4.5    | 5.0   | -1.3  | 2.5   | 4.1    | -1.6  |
| Crude oil and natural gas                              | 32.0       | 25.0   | 132                 | -10.5 | -48.9  | 123.1 | 14.7  | -42.3 | 69.6   | -66.5 |
| Ships. oil platforms and planes                        | -34.1      | 26.5   | -5.7                | 91.2  | -24.0  | 25.6  | -20.8 | -9.8  | 211.3  | -71.7 |
| Services                                               | -5.5       | 8.0    | 3.1                 | -0.5  | 2.8    | 3.4   | 1.1   | 0.2   | -3.3   | 5.0   |
| Gross domestic product (market prices)                 | -1.7       | 0.3    | 0.5                 | -0.1  | 0.7    | 0.0   | -1.7  | 2.3   | -0.6   | 0.4   |
| Gross domestic product Mainland Norway (market prices) | -1.8       | 2.1    | -0.2                | 1.0   | 0.7    | 0.2   | 0.9   | 0.4   | 0.5    | 1.0   |
| Petroleum activities and ocean transport               | -1.5       | -5.4   | 2.8                 | -3.6  | 0.4    | -0.8  | -10.5 | 9.9   | -4.4   | -1.9  |
| Mainland Norway (basic prices)                         | -1.7       | 2.0    | -0.3                | 0.9   | 0.8    | 0.3   | 0.8   | 0.3   | 0.4    | 1.1   |
| Mainland Norway excluding general government           | -2.9       | 2.0    | -0.5                | 0.9   | 0.9    | 0.3   | 0.8   | 0.3   | 0.3    | 1.3   |
| Manufacturing and mining                               | -5.9       | 2.1    | 0.8                 | 1.0   | -0.1   | 0.8   | 1.2   | 0.8   | -0.2   | -0.2  |
| Production of other goods                              | -8.0       | 1.2    | 2.7                 | 2.1   | -0.3   | -2.1  | 2.1   | 0.1   | -1.6   | 4.7   |
| Services incl. dwellings (households)                  | -0.9       | 2.1    | -1.4                | 0.6   | 1.5    | 0.7   | 0.5   | 0.2   | 0.8    | 1     |
| General government                                     | 2.6        | 2.0    | 0.3                 | 0.8   | 0.4    | 0.5   | 0.7   | 0.4   | 0.5    | 0.6   |
| Taxes and subsidies products                           | -2.3       | 2.8    | 0.6                 | 1.8   | 0.3    | -0.5  | 1.3   | 0.7   | 1.1    | 0.4   |

Source: Statistics Norway.

Table 6. **National accounts: Final expenditure and gross domestic product. Price indices. 2007=100**

|                                                        | Unadjusted |       | Seasonally adjusted |       |       |       |       |       |       |       |
|--------------------------------------------------------|------------|-------|---------------------|-------|-------|-------|-------|-------|-------|-------|
|                                                        | 2009       | 2010  | 09.3                | 09.4  | 10.1  | 10.2  | 10.3  | 10.4  | 11.1  | 11.2  |
| Final consumption expenditure of households and NPISHs | 106.2      | 108.2 | 106.6               | 106.2 | 108.5 | 107.8 | 108.2 | 108.9 | 108.8 | 109.5 |
| Final consumption expenditure of general government    | 109.4      | 112.2 | 109.8               | 110.3 | 111.3 | 111.5 | 112.2 | 113.8 | 115.4 | 115.9 |
| Gross fixed capital formation                          | 109.0      | 113.7 | 110.8               | 108.4 | 113.8 | 112.2 | 113.8 | 115.0 | 114.2 | 117.0 |
| Mainland Norway                                        | 108.0      | 110.9 | 109.4               | 107.8 | 110.2 | 109.8 | 111.1 | 112.1 | 111.9 | 114.1 |
| Final domestic use of goods and services               | 107.4      | 110.5 | 107.8               | 106.6 | 109.9 | 111.1 | 110.3 | 110.5 | 110.3 | 113.9 |
| Final demand from Mainland Norway                      | 107.4      | 109.8 | 108.0               | 107.6 | 109.5 | 109.2 | 109.8 | 110.8 | 111.2 | 112.1 |
| Total exports                                          | 96.1       | 105.5 | 96.5                | 98.2  | 101.3 | 103.5 | 104.8 | 112.7 | 116.7 | 113.9 |
| Traditional goods                                      | 96.0       | 99.5  | 97.2                | 93.3  | 95.0  | 99.5  | 100.8 | 102.8 | 106.2 | 106.5 |
| Total use of goods and services                        | 103.4      | 108.8 | 103.8               | 103.7 | 106.9 | 108.6 | 108.4 | 111.2 | 112.3 | 113.9 |
| Total imports                                          | 102.7      | 102.9 | 102.7               | 99.1  | 101.7 | 102.9 | 102.6 | 104.3 | 102.3 | 106.1 |
| Traditional goods                                      | 103.2      | 103.0 | 102.3               | 100.3 | 101.1 | 103.7 | 102.3 | 104.8 | 108.0 | 107.2 |
| Gross domestic product (market prices)                 | 103.6      | 110.6 | 104.1               | 105.0 | 108.5 | 110.3 | 110.3 | 113.3 | 115.7 | 116.3 |
| Gross domestic product Mainland Norway (market prices) | 106.5      | 110.1 | 107.3               | 107.1 | 108.5 | 110.3 | 110.6 | 111.2 | 111.3 | 112.4 |

Source: Statistics Norway.

Tabell 7. **National accounts: Final expenditure and gross domestic product. Price indices. Percentage change from previous period**

|                                                        | Unadjusted |      | Seasonally adjusted |      |      |      |      |      |      |      |
|--------------------------------------------------------|------------|------|---------------------|------|------|------|------|------|------|------|
|                                                        | 2009       | 2010 | 09.3                | 09.4 | 10.1 | 10.2 | 10.3 | 10.4 | 11.1 | 11.2 |
| Final consumption expenditure of households and NPISHs | 2.5        | 2.0  | 0.3                 | -0.4 | 2.1  | -0.7 | 0.5  | 0.6  | -0.1 | 0.7  |
| Final consumption expenditure of general government    | 3.5        | 2.5  | 0.6                 | 0.4  | 0.9  | 0.3  | 0.6  | 1.4  | 1.4  | 0.4  |
| Gross fixed capital formation                          | 2.7        | 4.3  | 1.7                 | -2.1 | 4.9  | -1.4 | 1.4  | 1.0  | -0.7 | 2.5  |
| Mainland Norway                                        | 2.4        | 2.7  | 1.9                 | -1.4 | 2.2  | -0.3 | 1.2  | 0.9  | -0.2 | 2.0  |
| Final domestic use of goods and services               | 3.4        | 2.8  | -0.3                | -1.1 | 3.1  | 1.1  | -0.7 | 0.2  | -0.2 | 3.3  |
| Final demand from Mainland Norway                      | 2.7        | 2.2  | 0.7                 | -0.4 | 1.8  | -0.3 | 0.6  | 0.9  | 0.3  | 0.9  |
| Total exports                                          | -17.2      | 9.8  | 0.6                 | 1.8  | 3.2  | 2.1  | 1.3  | 7.5  | 3.6  | -2.4 |
| Traditional goods                                      | -6.2       | 3.7  | 1.0                 | -4.0 | 1.9  | 4.8  | 1.2  | 2.0  | 3.3  | 0.4  |
| Total use of goods and services                        | -4.3       | 5.2  | 0.0                 | -0.2 | 3.1  | 1.5  | -0.1 | 2.6  | 1.0  | 1.4  |
| Total imports                                          | -0.3       | 0.2  | -1.1                | -3.5 | 2.6  | 1.2  | -0.3 | 1.7  | -2.0 | 3.7  |
| Traditional goods                                      | -1.4       | -0.2 | -1.1                | -1.9 | 0.8  | 2.5  | -1.3 | 2.5  | 3.0  | -0.7 |
| Gross domestic product (market prices)                 | -5.6       | 6.7  | 0.3                 | 0.8  | 3.3  | 1.7  | 0.0  | 2.8  | 2.1  | 0.5  |
| Gross domestic product Mainland Norway (market prices) | 3.1        | 3.4  | 0.6                 | -0.1 | 1.3  | 1.7  | 0.2  | 0.6  | 0.1  | 0.9  |

Source: Statistics Norway..



Table 8. **Main economic indicators 2001-2014. Accounts and forecasts. Percentage change from previous year unless otherwise noted**

|                                                                | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008* | 2009* | 2010* | Forecasts |       |       |       |
|----------------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----------|-------|-------|-------|
|                                                                |       |       |       |       |       |       |       |       |       |       | 2011      | 2012  | 2013  | 2014  |
| <b>Demand and output</b>                                       |       |       |       |       |       |       |       |       |       |       |           |       |       |       |
| Consumption in households etc.                                 | 2,1   | 3,1   | 2,8   | 5,6   | 4,0   | 4,8   | 5,4   | 1,6   | 0,2   | 3,7   | 2,8       | 4,7   | 5,3   | 4,8   |
| General government consumption                                 | 4,6   | 3,1   | 1,7   | 1,5   | 0,7   | 1,9   | 3,0   | 4,1   | 4,8   | 2,2   | 2,1       | 2,7   | 2,6   | 3,1   |
| Gross fixed investment                                         | -1,1  | -1,1  | 0,2   | 10,2  | 13,3  | 11,7  | 12,5  | 2,5   | -6,8  | -7,4  | 7,0       | 8,8   | 6,6   | 4,1   |
| Extraction and transport via pipelines                         | -4,6  | -5,4  | 15,9  | 10,2  | 18,8  | 4,3   | 6,3   | 5,1   | 5,8   | -12,4 | 8,7       | 8,3   | 2,3   | 2,8   |
| Mainland Norway                                                | 3,9   | 2,3   | -3,6  | 9,3   | 12,7  | 11,9  | 15,7  | -0,8  | -10,9 | -3,1  | 9,2       | 8,0   | 7,8   | 4,5   |
| Industries                                                     | 2,5   | 4,0   | -11,6 | 8,4   | 19,2  | 17,1  | 25,5  | 2,5   | -14,4 | -1,2  | 5,9       | 4,9   | 6,8   | 5,2   |
| Housing                                                        | 8,1   | -0,7  | 1,9   | 16,3  | 10,8  | 4,1   | 2,9   | -11,6 | -17,8 | -2,2  | 24,1      | 16,5  | 6,4   | 2,0   |
| General government                                             | 2,7   | 1,7   | 10,4  | 2,5   | 1,3   | 11,6  | 9,6   | 4,7   | 7,0   | -8,0  | 2,6       | 5,7   | 12,0  | 6,0   |
| Demand from Mainland Norway <sup>1</sup>                       | 3,0   | 3,0   | 1,4   | 5,0   | 4,6   | 5,3   | 6,7   | 1,7   | -1,0  | 2,0   | 3,7       | 4,8   | 5,1   | 4,3   |
| Stockbuilding <sup>2</sup>                                     | -1,6  | 0,2   | -0,3  | 1,4   | 0,5   | 0,1   | -1,4  | -0,4  | -3,1  | 3,2   | 1,0       | -0,7  | 0,0   | 0,0   |
| Exports                                                        | 4,3   | -0,3  | -0,2  | 1,1   | 1,1   | 0,0   | 2,3   | 1,0   | -3,9  | -1,7  | -0,9      | 1,4   | 0,1   | 0,7   |
| Crude oil and natural gas                                      | 6,6   | 2,4   | -0,6  | -0,5  | -5,0  | -6,5  | -2,4  | -2,0  | -0,9  | -7,4  | -3,9      | 1,6   | -1,4  | -0,9  |
| Traditional goods                                              | 1,8   | 0,6   | 2,9   | 3,4   | 5,0   | 6,2   | 8,5   | 4,2   | -8,1  | 4,9   | 2,8       | 2,2   | 1,6   | 2,2   |
| Imports                                                        | 1,7   | 1,0   | 1,4   | 8,8   | 8,7   | 8,4   | 8,6   | 4,3   | -11,7 | 9,0   | 6,9       | 4,6   | 5,7   | 5,0   |
| Traditional goods                                              | 4,5   | 3,0   | 5,2   | 10,9  | 8,1   | 11,5  | 8,2   | -0,5  | -13,1 | 8,3   | 6,6       | 7,5   | 6,8   | 5,8   |
| Gross domestic product                                         | 2,0   | 1,5   | 1,0   | 3,9   | 2,7   | 2,3   | 2,7   | 0,7   | -1,7  | 0,3   | 1,6       | 2,9   | 2,6   | 2,4   |
| Mainland Norway                                                | 2,0   | 1,4   | 1,3   | 4,4   | 4,6   | 4,9   | 5,6   | 1,8   | -1,8  | 2,1   | 2,7       | 3,5   | 3,6   | 3,2   |
| Manufacturing                                                  | -0,5  | -0,4  | 3,0   | 5,7   | 4,2   | 3,1   | 3,2   | 2,6   | -5,9  | 2,1   | 1,8       | 1,5   | 1,2   | 1,1   |
| <b>Labour market</b>                                           |       |       |       |       |       |       |       |       |       |       |           |       |       |       |
| Total hours worked. Mainland Norway                            | -1,6  | -0,9  | -2,1  | 1,7   | 1,4   | 3,1   | 4,3   | 3,4   | -1,9  | 0,5   | 1,5       | 2,1   | 1,9   | 1,9   |
| Employed persons                                               | 0,4   | 0,4   | -1,0  | 0,5   | 1,2   | 3,6   | 4,1   | 3,2   | -0,4  | -0,2  | 1,2       | 2,1   | 2,0   | 1,3   |
| Labor force <sup>3</sup>                                       | 0,5   | 0,7   | -0,1  | 0,3   | 0,8   | 1,6   | 2,5   | 3,4   | 0,0   | 0,5   | 1,1       | 2,2   | 1,9   | 1,6   |
| Participation rate (level) <sup>3</sup>                        | 73,5  | 73,5  | 72,9  | 72,6  | 72,4  | 72,0  | 72,8  | 73,9  | 72,8  | 71,9  | 71,5      | 71,9  | 72,2  | 72,3  |
| Unemployment rate (level) <sup>3</sup>                         | 3,5   | 3,9   | 4,5   | 4,5   | 4,6   | 3,4   | 2,5   | 2,6   | 3,2   | 3,6   | 3,4       | 3,4   | 3,3   | 3,3   |
| <b>Prices and wages</b>                                        |       |       |       |       |       |       |       |       |       |       |           |       |       |       |
| Wages per standard man-year                                    | 4,8   | 5,7   | 4,5   | 3,5   | 3,3   | 4,1   | 5,4   | 6,3   | 4,2   | 3,7   | 4,1       | 3,6   | 3,7   | 4,4   |
| Consumer price index (CPI)                                     | 3,0   | 1,3   | 2,5   | 0,4   | 1,6   | 2,3   | 0,8   | 3,8   | 2,1   | 2,5   | 1,4       | 0,9   | 1,6   | 1,8   |
| CPI-ATE <sup>4</sup>                                           | 2,6   | 2,3   | 1,1   | 0,3   | 1,0   | 0,8   | 1,4   | 2,6   | 2,6   | 1,4   | 1,0       | 1,1   | 1,6   | 1,9   |
| Export prices. traditional goods                               | -1,8  | -9,1  | -0,9  | 8,5   | 4,1   | 11,4  | 2,7   | 2,4   | -6,2  | 3,7   | 5,5       | -2,1  | 0,3   | 1,6   |
| Import prices. traditional goods                               | -1,6  | -7,2  | -0,4  | 4,0   | 0,5   | 4,0   | 4,0   | 4,7   | -1,4  | -0,2  | 3,0       | -2,7  | 0,0   | 1,0   |
| Housing prices <sup>5</sup>                                    | 7,0   | 5,0   | 1,7   | 7,7   | 9,5   | 13,7  | 12,6  | -1,1  | 1,9   | 8,3   | 8,5       | 6,1   | 5,7   | 8,0   |
| <b>Income, interest rates and exchange rate</b>                |       |       |       |       |       |       |       |       |       |       |           |       |       |       |
| Household real income                                          | -0,3  | 8,0   | 4,4   | 3,6   | 7,6   | -6,4  | 6,3   | 3,5   | 4,4   | 4,1   | 4,4       | 4,1   | 4,6   | 3,9   |
| Household saving ratio (level)                                 | 3,1   | 8,4   | 9,1   | 7,4   | 10,2  | 0,1   | 1,5   | 3,8   | 7,5   | 7,6   | 9,1       | 8,7   | 8,1   | 7,4   |
| Money market rate (level)                                      | 7,2   | 6,9   | 4,1   | 2,0   | 2,2   | 3,1   | 5,0   | 6,2   | 2,5   | 2,5   | 2,9       | 3,1   | 3,4   | 4,1   |
| Lending rate. banks (level) <sup>6</sup>                       | 8,8   | 8,4   | 6,5   | 4,2   | 3,9   | 4,3   | 5,7   | 7,3   | 4,9   | 4,5   | 4,8       | 5,0   | 5,1   | 5,7   |
| Real after-tax lending rate. banks (level)                     | 3,3   | 4,8   | 2,2   | 2,5   | 1,3   | 0,7   | 3,3   | 1,5   | 1,4   | 0,9   | 2,1       | 2,7   | 2,1   | 2,3   |
| Importweighted krone exchange rate (44 countries) <sup>7</sup> | -3,1  | -8,5  | 1,3   | 3,0   | -3,9  | 0,7   | -1,8  | 0,0   | 3,3   | -3,7  | -2,8      | -1,8  | -1,1  | -0,6  |
| NOK per euro (level)                                           | 8,05  | 7,51  | 8,00  | 8,37  | 8,01  | 8,05  | 8,02  | 8,22  | 8,73  | 8,01  | 7,79      | 7,69  | 7,61  | 7,56  |
| <b>Current account</b>                                         |       |       |       |       |       |       |       |       |       |       |           |       |       |       |
| Current balance (bill. NOK)                                    | 247,5 | 192,3 | 195,9 | 221,6 | 316,6 | 372,1 | 320,5 | 443,2 | 274,9 | 310,0 | 330,7     | 281,7 | 252,0 | 236,2 |
| Current balance (per cent of GDP)                              | 16,1  | 12,6  | 12,3  | 12,7  | 16,3  | 17,2  | 14,1  | 17,7  | 11,8  | 12,4  | 12,5      | 10,2  | 8,7   | 7,8   |
| <b>International indicators</b>                                |       |       |       |       |       |       |       |       |       |       |           |       |       |       |
| Exports markets indicator                                      | 0,8   | 1,8   | 4,1   | 7,3   | 6,4   | 8,7   | 5,4   | 0,9   | -10,6 | 10,7  | 5,3       | 2,2   | 3,1   | 4,2   |
| Consumer price index. euro-area                                | 2,3   | 2,3   | 2,1   | 2,1   | 2,2   | 2,2   | 2,2   | 3,3   | 0,3   | 1,7   | 2,4       | 1,0   | 1,3   | 1,6   |
| Money market rate. euro(level)                                 | 4,2   | 3,3   | 2,3   | 2,1   | 2,2   | 3,1   | 4,3   | 4,6   | 1,2   | 0,7   | 1,3       | 1,3   | 1,3   | 2,1   |
| Crude oil price NOK (level) <sup>8</sup>                       | 223   | 198   | 201   | 255   | 355   | 423   | 422   | 536   | 388   | 484   | 595       | 546   | 562   | 581   |

<sup>1</sup> Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in mainland Norway.<sup>2</sup> Change in stockbuilding. Per cent of GDP. <sup>3</sup> According to Statistics Norway's labour force survey (LFS). Break in data series in 2006.<sup>4</sup> CPI adjusted for tax changes and excluding energy products. <sup>5</sup> Break in data series in 2004. <sup>6</sup> Yearly average. <sup>7</sup> Increasing index implies depreciation.<sup>8</sup> Average spot price Brent Blend.

Source: Statistics Norway. The cut-off date for information was 6 September.