

Economic trends

The global economic situation deteriorated in the second half of 2011, and the negative trend has continued into 2012. GDP growth has slowed markedly in almost all countries, and GDP has also contracted in many European countries. Growth in manufacturing output and international trade has come to a halt. It is difficult for countries with high public debt and high unemployment to generate new growth under these circumstances. Weakened confidence in European banks with large claims on governments that are struggling to service their debt, and renewed uncertainty about the place of Greece in the European Monetary Union are impacting the entire euro area. Political elections demonstrate that the peoples of a number of European countries have lost faith in the incumbent governments. The results express resistance to a strongly contractionary fiscal policy and uncertainty regarding how to resolve the current crisis. The US economy was an exception in 2011, with some quarters of rising growth. Weak global demand and a substantial tightening of fiscal policy also dampened growth in the USA, as reflected in figures for the first quarter of 2012. Growth has also declined markedly in a number of emerging economies.

Weak global growth affects the Norwegian economy by creating difficult times for export-oriented industry, with low demand growth and in some cases falling prices in international markets. Oil prices have also fallen considerably recently. However, weak growth abroad also means low interest rates abroad. As a result, Norges Bank has revised downwards its interest rate scenario for the period ahead. This will contribute to higher domestic demand and counteracts the strengthening of the krone exchange rate. But given the uncertainty now permeating the global economy and the low interest rates we are already experiencing, it is conceivable that the expansionary effects of further interest rate cuts are not as great as we have assumed on the basis of experience.

The Norwegian economy has been characterised by fairly steady growth for the last four quarters. We now date the cyclical trough to the first quarter of 2011, and the mainland economy has accordingly been in moderate recovery for one year. Unemployment has edged down from its peak in 2010 and was 3 per cent in the last three months according to the Labour Market Survey. The downturn in the wake of the financial crisis was not deep. Therefore, we cannot expect a long period of strong growth such as we experienced after the cyclical trough in 2003. There is much to indicate that the financial crisis and sovereign debt crisis will be followed by a prolonged global downturn. This is also consistent with Norwegian experience following the banking crisis in the early 1990s. In such a situation, little impetus for the recovery is provided by growth among our trading partners. We therefore do not expect the downturn in Norway to end before 2015.

GDP growth in Norway has recently benefited strongly from developments in petroleum activities, where the level of investment has reached new records. Housing investment has also increased substantially from the low level in 2010, but appears to have levelled off recently. Transfers to households are now increasing substantially because of the aging population. Growth in household real income is high, which stimulates the housing market and consumer demand. Owing to moderately high economic growth and a slightly tighter labour market, wage growth has remained buoyant and real wage growth both last year and this has been high. In a global perspective, inflation in Norway has remained low. This, coupled with slightly higher money market rates in Norway than in the euro area and a high oil price, has resulted in a very high krone exchange rate. A strong krone and high cost inflation coupled with weak growth abroad make the situation of the internationally exposed business sector difficult. Growth in this sector is broadly lower than in the mainland economy in general. This appears likely to remain the case in the period ahead, and contributes to our picture of a fairly moderate upturn for the Norwegian economy for the next few years.

Cyclical developments in Norway

Recently published figures from the quarterly national accounts (QNA) show that mainland economic growth rose markedly through last year and into 2012 after a period of very weak growth around year-end 2010. Mainland economic growth for the last four quarters has been about 4 per cent (calculated as an annual rate on the basis of seasonally adjusted QNA figures). This is more than one percentage point higher than what is regarded as trend GDP growth for mainland Norway. On the basis of the latest QNA figures, we now

date the cyclical trough to the first quarter of 2011. The Norwegian economy has thus been in recovery for one year. During this period, increased production of market-oriented services and manufacturing have made a particular contribution to GDP growth, while production growth in general government and particularly in manufacturing has been more moderate. On the demand side, household consumption has increased somewhat, as has investment in the petroleum sector. General government consumption has increased only

Table 1. **Macroeconomic indicators 2010-2012. Growth from previous period unless otherwise noted. Per cent**

	2010*	2011*	Seasonally adjusted			
			11:2	11:3	11:4	12:1
Demand and output						
Consumption in households etc. ¹	3.7	2.4	0.6	0.5	0.6	1.3
General government consumption	1.7	1.5	1.2	0.5	0.4	-0.3
Gross fixed investment	-5.2	6.4	-2.3	6.9	0.6	0.6
Mainland Norway	-2.5	8	1	0.7	1.8	-2.7
Extraction and transport via pipelines	-9	13.4	4.1	8.1	0.7	6.1
Final domestic demand from Mainland Norway ²	2	3.2	0.8	0.5	0.8	0.1
Exports	1.8	-1.4	2.3	2.1	-3.3	2.1
Crude oil and natural gas	-4.8	-6.2	-4.9	7.9	-7.3	6.5
Traditional goods	2.5	-0.4	6.3	-0.9	-4.8	3.8
Imports	9.9	3.5	-5.9	2.1	2.8	-2.1
Traditional goods	8.1	5.3	-0.1	0.7	1	-0.6
Gross domestic product	0.7	1.4	0.7	1.4	0.6	1.4
Mainland Norway	1.9	2.4	1.4	0.8	0.8	1.1
Labour market						
Man-hours worked	0.8	1.6	0.7	1.1	0.6	0.8
Employed persons	-0.1	1.4	0.5	0.8	0.4	0.7
Labour force ³	0.5	1	0.4	0.8	0.4	0.7
Unemployment rate, level ³	3.6	3.3	3.3	3.2	3.4	3.2
Prices and wages						
Wages per standard man-year ⁴	3.7	4.2	4.3	4.4	3.3	3.5
Consumer price index (CPI) ⁵	2.5	1.2	1.4	1.5	0.9	0.8
CPI adjusted for tax changes and excluding energy products (CPI-ATE) ⁵	1.4	0.9	1	1.1	1.1	1.4
Export prices, traditional goods	5.3	6.2	-0.2	-0.9	0	-1.4
Import prices, traditional goods	-0.6	4.1	-1.2	-0.6	0.8	0.1
Balance of payment						
Current balance, bill. NOK	313.6	395.9	93	110.1	112.9	..
Memorandum items (unadjusted level)						
Money market rate (3 month NIBOR)	2.5	2.9	2.8	3	3.1	2.6
Lending rate, credit loans ⁶	3.4	3.6	3.5	3.6	3.9	4
Crude oil price NOK ⁷	484.3	620.5	636.6	616.7	627.3	684
Importweighted krone exchange rate, 44 countries, 1995=100	90.3	88.1	87.8	87.4	87.9	87.6
NOK per euro	8.01	7.79	7.82	7.77	7.76	7.59

¹ Se omtale av de sesongjusterte tallene i avsnitt 2.3.

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

³ According to Statistics Norway's labour force survey (LFS).

⁴ Foreligger ikke på kvartal.

⁵ Percentage change from the same period the previous year.

⁶ Period averages.

⁷ Average spot price, Brent Blend.

Source: Statistics Norway and Norges Bank.

moderately, and mainland business investment has not increased much either. Housing investment increased strongly in the four quarters from the summer of 2010. Growth subsequently levelled off, and so far in 2012 housing investment has fallen. Import growth has been fairly moderate for the last four quarters, even when adjustment is made for random factors that affected the figures in the first quarter of 2011. The overall effect has been a clear rise in mainland economic output.

After falling somewhat from end-2010 and into 2011, unemployment underwent little change through 2011. However, unemployment has shown a renewed slide to date in 2012. The Labour Force Survey (LFS) shows an unemployment rate of 3.3 per cent for 2011, 0.3 percentage point down on the previous year. LFS unemployment was 3.2 per cent in the first quarter of 2012, while the average for the past three months is 3.0 per cent. Growth in employment and in the labour force picked up somewhat through 2011. Growth increased perceptibly in the first quarter of this year, but this is probably partly due to random factors. High population growth due to extensive immigration is contributing strongly to growth in the labour force. Growth in labour productivity in the mainland economy has only been 1 per cent on average for the past two years. It is difficult to detect a clear tendency for a rise in productivity growth even during the last quarters with high mainland economic growth. This situation differs from the normal course of events in the early phase of a cyclical recovery.

Inflation measured by the consumer price index (CPI) has been very low recently. After a slight increase in the seasonally adjusted all-share index in February this year, the price level in April fell almost back to the level of last autumn. CPI inflation was 1.2 per cent in 2011 and was almost halved compared to the previous year. The fall in electricity prices through 2011 contributed in particular to lower CPI inflation. The rise in prices for imported consumer goods was also low as a result of a stronger krone exchange rate and a weak rise in prices for international consumer goods. The year-on-year rise in the CPI in April was only 0.3 per cent. Consumer prices adjusted for tax changes and excluding energy products rose by 0.9 per cent in 2011, and the year-on-year rise in April was only 0.7 per cent. High crude oil prices have pushed up overall inflation recently, but the oil price fell appreciably in the course of the spring. Electricity prices have already fallen substantially, and are unlikely to fall much further. The krone exchange rate is expected to remain strong, thereby causing price impulses from import goods to continue pushing down CPI inflation in the next few quarters. Unit labour costs in Norway are rising fairly steadily and contributing to higher inflation, but the impulses from this source will probably be little different in 2012 from in 2011.

Annual wage growth has been very stable at around 4 per cent since 2009, and was 4.2 per cent in 2011. The annual wage settlement in much of the private sector

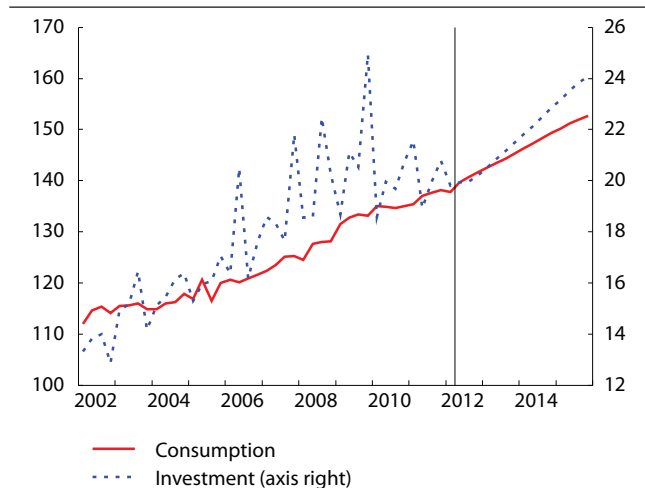
was concluded fairly swiftly and without conflicts, and appears to be resulting in annual wage growth in line with that of previous years. However, this wage growth is about half a percentage point higher than was previously envisaged. Real wage growth in 2012 will probably be about 3 per cent, which is in line with growth in 2011.

For the past two years, general government demand has contributed to dampening growth in overall domestic demand and in the mainland economy. In 2012, general government consumption of goods and services will again curb economic growth somewhat. The strongest fiscal impulse is high growth in transfers, which contributes to high growth in household real disposable income, thereby stimulating household demand. Housing investment was a key factor underlying growth in the Norwegian economy in 2011, but has levelled off in 2012. Residential building starts indicate that near-term growth will not be strong, but is likely to add further impetus to mainland economic growth in the near future. Household consumption growth was not high in 2011, taking the low interest rate level and high income growth into account. However, consumption growth picked up in the first quarter of 2012. It is difficult to explain developments in household consumption otherwise than that the uncertainty in the domestic and global economy influences Norwegian household spending. This will probably affect developments for a good while to come. We assume that precautionary saving will prevail to a large extent, but that high income growth will nevertheless contribute to stronger consumption growth going forward.

The weak global economic situation strongly affects the Norwegian economy, which is perceived as sounder than most other economies. This may have contributed to the strong krone exchange rate recently. In combination with weak growth in markets for Norwegian exports, a strong krone leads to lower demand for goods and services from segments of the internationally exposed business sector. This trend is reinforced by the fact that the petroleum sector absorbs an increasingly large share of Norwegian resources, partly reallocated from other internationally exposed activities and partly through import of labour and other goods and services. There is therefore no reason to expect that appreciably higher growth in Norwegian exports will contribute to the upturn in the Norwegian economy in the next few quarters. It will be a couple of years before we can expect impulses from abroad to provide impetus for the upturn in the Norwegian economy.

Given weak global economic growth for a while to come, growth in the Norwegian economy will have to be generated largely by domestic demand. We expect fiscal policy to provide slightly stronger growth impulses to the Norwegian economy as a result of high real growth in transfers and assumed high growth in investment in infrastructure. Growth in general government consumption is assumed to lie close to trend growth in

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



Source: Statistics Norway.

the mainland economy in the near term. Household income will increase appreciably, and if the developments we envisage are realised, the uncertainty currently characterising household behaviour will abate. The saving ratio may then edge down towards the end of the projection period, thereby helping to stimulate economic growth. Such a consumption-driven upturn on the back of a moderate increase in the oil sector's impulses to the economy implies that mainland economic growth will be slightly higher than estimated trend growth. The Norwegian economy may then emerge from the current slowdown in 2015.

We assume that unemployment will remain fairly stable at just over 3 per cent. Even if the economy picks up, strong population growth and in particular high immigration mean that growth in the labour force is also high.

As a result of the wide interest rate differential in relation to other countries and relatively low Norwegian inflation, the Norwegian krone will remain strong in relation to the euro for the next few years. Therefore, inflation measured by the CPI-ATE will only rise weakly in the near term. When the effect of falling electricity prices is exhausted in the course of 2012, CPI inflation will also edge up, but we do not envisage that inflation will become high in the next few years. This implies that interest rates are unlikely to become particularly high, although they cannot be expected to remain at the present low levels. We have assumed that Norges Bank's key policy rate will be raised gradually from the summer of 2013, but that lending rates will remain unusually low also in 2013.

More fiscal stimulus?

Seasonally adjusted QNA figures for the first quarter of 2012 show that general government expenditure fell compared with the previous quarter. Whereas local government expenditure remained roughly constant, central government expenditure fell by over half a per

cent. Gross general government investment was also somewhat lower in the last quarter. General government spending growth in 2011 was 1.5 per cent for the year as a whole. Central government spending increased by just over 1 per cent in 2011, while the increase in municipal spending was just short of 2 per cent. Overall gross general government investment increased moderately from 2010 to 2011.

Our calculations are based on the assumption that growth in general government consumption and investment in 2012 will be approximately in line with the projections in the Revised National Budget 2012 (RNB). The Government forecasts growth in general government spending of 1.9 per cent from 2011 to 2012, while gross investment is expected to fall by 1.4 per cent. If we exclude the purchase of a frigate in 2011, the projection in RNB implies gross investment growth of about 3 per cent. The general government strike will reduce man-hours worked, labour expenses and consumption slightly in the second quarter, but this will have little effect on annual growth rates.

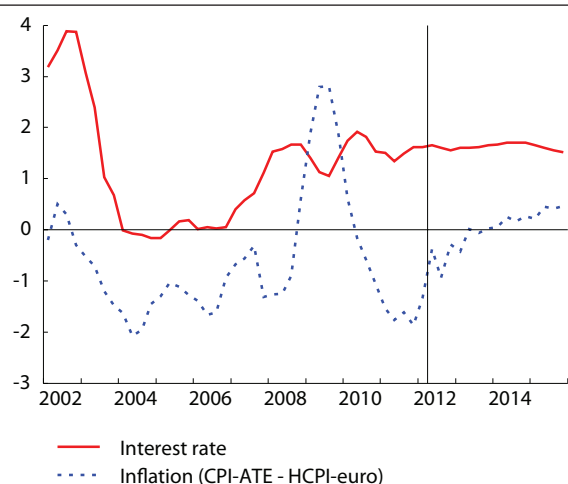
Transfers to households increased by 6.3 per cent in 2011. As a result of the low rise in consumer prices, real growth in transfers was 5 per cent. Old age pensions have contributed most to this increase, while the sum of child benefit, cash benefit for young children, sickness benefit and unemployment benefit remained unchanged from the previous year. The growth in transfers in nominal terms projected for 2012 in RNB is in line with growth the previous year. Given consumer price inflation of about 1 per cent, transfer growth in real terms could be over 5 per cent this year again.

The total demand impulses generated by general government purchases of goods and services as well as transfers amounted to 2.7 per cent in real terms in 2011, which is in line with trend growth in the mainland economy. Our projections imply an impulse of 3 per cent in 2012.

General government net lending was NOK 375 billion in 2011. Net lending excluding tax and capital income and expenditure attributable to petroleum activities amounted to NOK 24 billion. Local government had a deficit, with net borrowing of NOK 22 billion. The structural, non-oil budget deficit (SNOBD) was well within the 4 per cent limit defined by the fiscal rule in 2011. According to RNB 2012, SNOBD in 2011 was 3.1 per cent of the capital in the Fund at the beginning of the year. The Government projects that SNOBD for 2012 will rise to 3.5 per cent.

Our detailed projections for fiscal policy in 2012 are partly based on the programme of direct and indirect taxes adopted for 2012. Indirect taxes will increase slightly more than the increase due to adjustment for inflation and push up consumer price inflation by just under 0.1 percentage point from 2011 to 2012. This is largely attributable to the higher value-added tax on

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



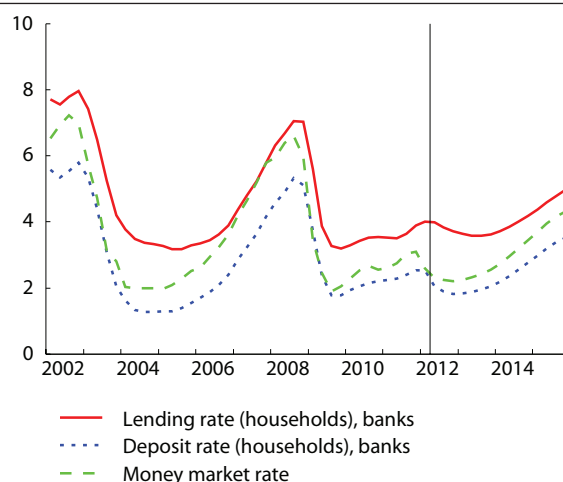
Source: Norges Bank and Statistics Norway.

food. The nominal limits on personal tax have been revised up by 4 per cent. We now project that wage growth in 2012 will be just over 4 per cent, so that tax rates will be more or less unchanged in real terms from 2011 to 2012.

Fiscal policy is expected to generate slightly stronger demand impulses in the years 2013–2015 than in 2012. We assume that the tax level in real terms will remain unchanged through the projection period. Pension benefits will grow strongly in real terms in the years ahead, but the growth will be more a result of the increase in the elderly population than of many persons aged 62 or over electing to take contractual early retirement. Transfers to households are projected to increase in real terms by about 5 per cent annually in 2012 and 2013, but real growth will subsequently be lower when inflation picks up somewhat. General government consumption is expected to increase by about 2.5–3 per cent annually, which is approximately the same as estimated trend mainland economic growth. Gross general government investment will probably increase more than consumption as a result of a desire for increased investment in infrastructure, and we assume growth of approximately 6 per cent each year from 2013 to 2015. Higher investment growth increases the growth rate of general government real capital. This contributes to slightly higher growth in general government consumption in the near term because consumption includes capital services that by definition are equivalent to the increased capital depreciation. The overall demand impulses generated by purchases of goods and services plus transfers are projected to be 3–3½ per cent in these three years. This is higher than estimated trend growth in the mainland economy.

We project somewhat higher growth in the Government Pension Fund Global than RNB 2012 because we are assuming higher oil and gas prices in 2014 and 2015, but lower in 2013. Whereas RNB 2012 assumes that the real oil price from 2014 onwards will be considerably lower than it is today, we expect oil prices to fall up to

Figure 3. Norwegian interest rates. Per cent



Source: Norges Bank and Statistics Norway.

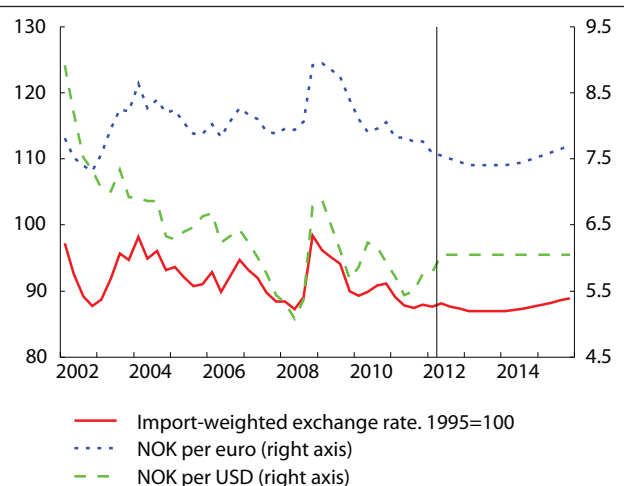
2013, but then to increase somewhat again as growth abroad gathers pace. SNOBD calculated as a share of the capital in the fund will then be between 2 and 3 per cent from 2013 to 2015, according to our projections.

Low interest rates this year and next

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 the first four months of the year, which is far lower than Norges Bank's inflation target. At the same time, mainland GDP has been between 1 and 2 per cent below trend since 2009, according to our calculations. A prolonged downturn abroad and a strong krone were Norges Bank's reasons for cutting the key rate by 0.25 percentage point, to 1.5 per cent, in March this year. The interest rate was also cut in December last year, by 0.5 percentage point. At the end of May, the money market rate was 2.3 per cent. This means that the spread between the key rate and the money market rate is 0.8 percentage point. The premium has very largely been in this range for the past five years, whereas before the financial crisis started in 2007 it was around 0.25 percentage point.

The interest rate level affects private and municipal sector credit growth, which is important for the financial stability of the economy. In the three-month period December 2011 to February 2012, gross private and municipal sector debt, seasonally adjusted and annualised, was 6.9 per cent higher than in the period September–November 2011. During the past two years, seasonally adjusted growth has ranged from 5 to 8 per cent. Developments in recent months show that debt growth has slowed in the municipal sector and increased in non-financial enterprises. Owing to extensive changes in sector groupings as a result of the new international sector classification, publication of the figures for domestic credit growth in March this year has been postponed, and the figures will be published at the same time as the April figures.

Figure 4. Exchange rates



Source: Norges Bank.

The annual average cost of one euro in 2010 was NOK 8.01. This is almost identical to the exchange rate when the krone was pegged to the euro's predecessor, the ecu, in 1990. It is also almost 2 per cent stronger than the average for the past two decades. The krone appreciated by about 2.5 per cent from 2010 to 2011 against both the euro and the import-weighted krone exchange rate. In our projections we have assumed unchanged exchange rates between the Norwegian krone and other currencies with the exception of the euro. The euro is expected to weaken in the near term, and to cost around NOK 7.50 as an annual average this year and NOK 7.40 in 2013. After that the euro will strengthen somewhat and the exchange rate is expected to be over NOK 7.60 in 2015. This implies that the krone will strengthen by a further 3.5 per cent this year and by about 1.5 per cent in 2013. The krone will then be approximately 10 per cent stronger, measured against the euro, than the average for the past two decades.

Since we are assuming unchanged exchange rates between NOK and currencies other than the euro, the appreciation of the krone will be weaker measured in terms of the import-weighted krone exchange rate. The appreciation both this year and next will be 0.5–1.0 per cent, but it will be largely reversed in 2014 and 2015.

The sovereign debt crisis that many countries are now experiencing is resulting in cuts in government spending and higher taxes, and thereby dampening global growth, which is already low. This results in lower demand for the Norwegian export-oriented business sector. Moreover, low interest rates abroad may exacerbate the problems for the internationally exposed business sector by causing the krone to appreciate. Both

these factors exert downward pressure on interest rates in Norway too. On the other hand, low unemployment and higher credit growth, higher house prices and a risk of financial instability all point towards higher Norwegian interest rates.

We believe the money market rate will remain at around 2.3 per cent for the next year. The key policy rate will probably increase gradually from the summer of 2013. The money market rate is expected to rise to 4.3 per cent by the end of 2015. According to these projections, the mortgage rate – given by the interest rate on credit loans – will rise to almost 5 per cent.

Stronger consumption growth going forward

According to seasonally adjusted QNA figures, consumption by households and non-profit organisations increased by 1.3 per cent in the first quarter of 2012. The QNA figures for goods consumption showed growth of 1.9 per cent in the same period, while consumption of services expanded by 0.5 per cent. Following the publication of the last QNA figures, however, it became clear that the seasonal adjustment did not take sufficient account of the fact that the Easter trade, particularly purchases of food and drink, took place at the end of March – which pushed up the March figures quite substantially. When the goods consumption index for April was published, growth in goods consumption in March was therefore revised downwards from 1.6 per cent to zero, which also changed the seasonally adjusted figures for the other months. In isolation, the effect of the change in the seasonal adjustment implies a reduction in growth in goods consumption of 0.9 percentage point in the first quarter. We have estimated that this revision results in approximately 0.4 percentage point lower consumption growth from the fourth quarter of 2011 to the first quarter of 2012, such that seasonally adjusted growth is 0.9 per cent. The first quarter figures thus no longer point to a clear shift in the pace of consumption growth.

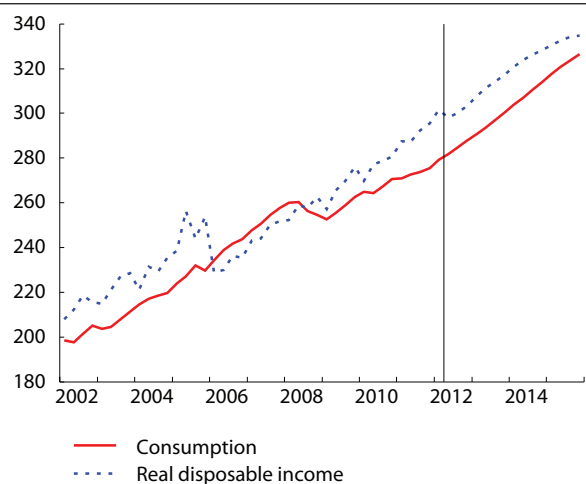
Developments in household income, housing wealth and interest rates are important factors influencing consumption. Household real disposable income rose by 4.2 per cent in 2011. Wage income, which is the largest source of household income, made a particularly large contribution to this income growth as there was solid growth in employment and clear real wage growth. Institutional quarterly national accounts show that real disposable income in the first quarter of the year was 6.5 per cent higher than in the same period the previous year. This development is a result of strong growth in both wage income and public transfers and a low rise

Table 2. Household real disposable income. Percentage rise compared with previous year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	-6.4	6.3	3.9	3.9	3.5	4.2	4.0	4.5	4.0	2.6
Excluding share dividends	4.2	5.0	3.1	4.0	3.2	3.8	4.4	4.4	3.9	2.4

Source: Statistics Norway.

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



Source: Statistics Norway.

in prices. In the period 2012-2014, we expect growth in household real disposable income to be about the same as in 2011. Subsequently we expect rising inflation and interest rates to result in lower growth in 2015.

A continued rise in house prices will boost housing wealth, which normally has a stimulating effect on household consumption. We now project consumption growth to be about 4 per cent this year, rising to around 4.5 per cent on average for the period 2013-2015. This is somewhat weaker than during the economic boom from 2004 to 2007. If we adjust for the fact that population growth is now higher, the difference in consumption growth per capita will be even larger.

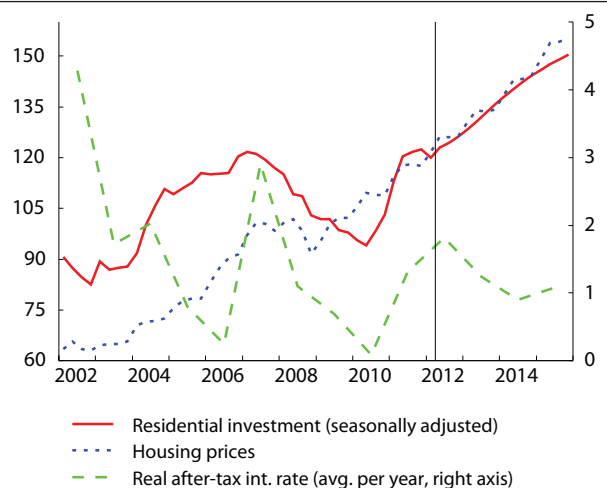
The household saving ratio was over 8 per cent in 2011, which is relatively high in a historical perspective. Precautionary household saving may have increased in the wake of the financial crisis as a result of the uncertainty associated with households' own income. Given the continued uncertainty surrounding the global economy, we assume that this saving behaviour will still prevail to some extent during the projection period. We forecast that the saving ratio will remain at over 8 per cent in 2012-2014, and then fall to around 6.5 per cent in 2015.

Housing investment levels off

Following strong growth in the first half of last year, housing investment has gradually levelled off. According to the QNA, housing investment in the first quarter of 2012 was 1.9 per cent lower than in the previous quarter. But the level of housing investment is relatively high in a historical perspective.

The decline in housing investment reflects the negative trend in residential building starts. Building statistics, which are the main source of data for calculating housing investment in the last quarters, show that the decline in residential building starts from the last half of 2011 continued into the first quarter of this year. However, a 22 per cent surge in housing investment last

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



Source: Statistics Norway.

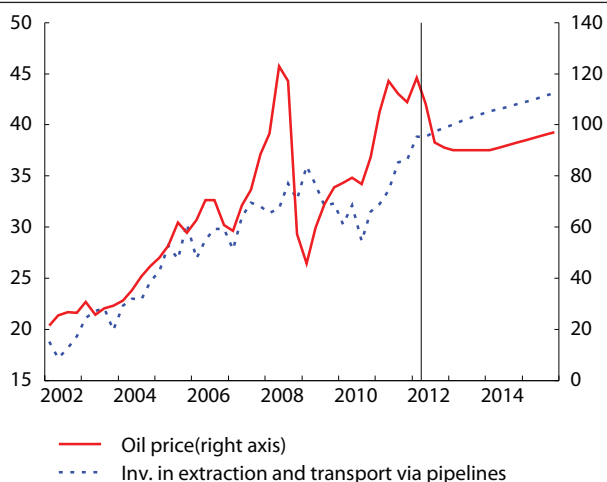
year brought investment up to a historically high level. As a result, investment activity will be at a relatively high level even without further investment growth in the current year. With prospects of a continued high rise in house prices, strong real income growth, low real interest rates and rapid population growth, housing investment will pick up again in the course of the current year already. Thus we expect housing investment to increase by 3.6 per cent this year and around 6 per cent annually for the next three years.

After falling moderately in the last quarter of 2011, house prices rallied in the first quarter of this year. According to Statistics Norway's house price index, house prices rose by 3.5 per cent in the first quarter. Strong housing market demand is pushing up prices for all types of dwellings. Developments in monthly house price figures point to a continued rise in the second quarter. According to the real estate industry's house prices statistics, seasonally adjusted house prices increased in April and May by 0.8 and 0.1 per cent respectively. The near-term outlook for the Norwegian economy indicates a strong rise in house prices for the next four years. We now conclude that developments in residential construction, household income, interest rates and population growth indicate that house prices will rise by around 7 per cent annually throughout the projection period.

Continued high petroleum investment

Following a pronounced upswing in petroleum investment at the beginning of 2011, investment has reached a record high level. Over the past year, investment has escalated by 22 per cent. Growth levelled off through the winter, with an increase of close to 7 per cent from the third quarter of 2011 to the first quarter of 2012.

Petroleum investment is highly volatile. The changes from quarter to quarter are affected by the fact that a number of field developments are very large projects, such that the conclusion or start-up of one of these projects has a major impact on the investment figures.

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

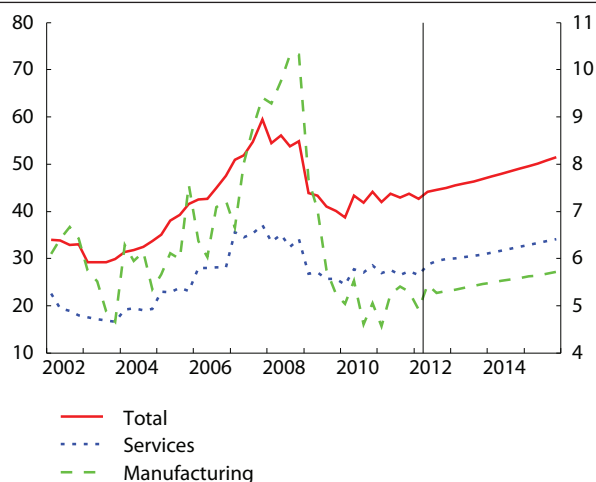
Source: Statistics Norway.

According to Statistics Norway's business tendency survey, a number of the operators in the industry are nearing capacity, and the potential for a further increase in investment is limited in the short term. Access to more oil rigs on the Norwegian continental shelf could increase capacity and thereby improve opportunities for further efforts to enhance the recovery factor of fields with falling production. A high oil price boosts the profitability of smaller and more marginal fields and this, coupled with improved access to oil rigs, could lead to increased exploration activity.

As a result of the strong growth through 2011, petroleum investment is increasing appreciably this year. Much of the investment growth in 2012 is attributable to the building and upgrading of oil platforms. The high investment level of the winter of 2011/2012 is expected to be maintained in the years ahead. Exploration investment has been high for the past three years, and no significant growth is expected for the remainder of the projection period. In addition to a weak increase in platform investment, a further upswing in production drilling activity is expected. This implies an increase of almost 13 per cent in 2012 and developments in line with mainland economic growth in the years 2013-2015.

The weak developments in oil production continued into 2012. Production of crude oil is now almost halved since the peak in 2001. Recovery of gas and other fluids has compensated in part for the decline, but not entirely. Total petroleum production, measured in oil equivalent, is now about 15 per cent less than at the peak in 2004. In the period to 2015 we expect the production decline to level off because of growth in the recovery of gas and other fluids, combined with a more moderate fall in oil production.

The spot price for crude oil rose at the beginning of the year after hovering around USD 110 per barrel for a long period. The price has since fallen markedly, and in early June was slightly less than USD 100 per barrel.

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

Source: Statistics Norway.

In the first quarter of 2012, the export price of oil was at the same level as in the second and third quarters of 2008. Oil prices are expected to decline through 2012 and 2013, before rising gradually in 2014 and 2015. Gas prices have shadowed developments in oil prices, but with a time lag. Export prices for gas are therefore expected to remain at a high level for the next couple of quarters before they too decline towards the end of 2012.

Moderate increase in business investment

Low international demand has contributed to flat development in business investment since 2009. The level in the first quarter of 2012 was slightly lower than the average for the previous year and 2.4 per cent lower than the previous quarter. The decline was broad-based. Whereas manufacturing investment dropped 7.1 per cent, the fall in services was 3.1 per cent. The weak trend of the past two years therefore appears to be continuing. An exception to the rule in the service industries is electricity supply, where annual growth of some 15 per cent has been recorded for the past two years. This development should be viewed in conjunction with the introduction of "green certificates". The scheme was adopted in 2011 and the intention is to encourage increased investment in renewable energy production. On 1 January 2012, Norway became a part of the Norwegian-Swedish green certificate market, which is to apply until 2035. Since power plants are awarded green certificates for 15 years, the producers have an incentive to launch production by 2020. The strong investment growth of recent years is therefore expected to continue. Investment in power supply is expected to increase by about 15 per cent in 2012, and somewhat less in 2013.

The weak growth in business investment, with the exception of electricity supply, is in contrast to developments in output and employment. Historically, there has been a close correlation between developments in

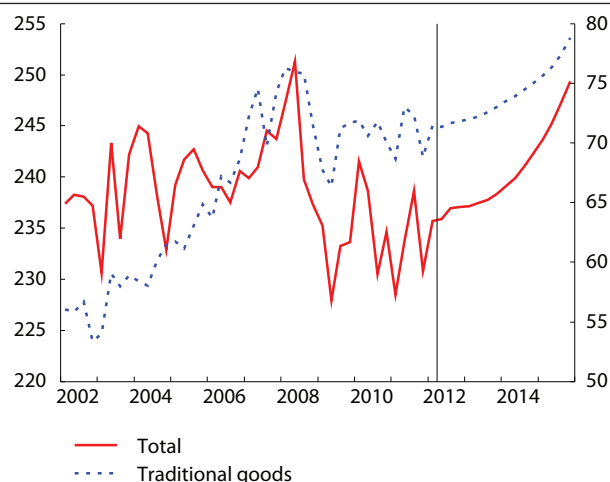
Table 3. **Main economic indicators 2010-2015. Accounts and forecasts. Percentage change from previous year unless otherwise noted**

	Accounts 2011*	Forecasts								
		2012			2013		2014		2015	
		SN	NB	MoF	SN	NB	SN	NB	SN	NB
Demand and output										
Consumption in households etc.	2.4	3.9	3	3.5	4.3	3 3/4	4.6	3 1/2	4.3	3 1/4
General government consumption	1.5	2.3	2 1/4	1.9	2.6	2 1/4	2.8	..	2.5	..
Gross fixed investment	6.4	6.1	..	6.4	4.6	..	4.7	..	4.1	..
Extraction and transport via pipelines ¹	13.4	12.8	17 1/4	15.0	3.6	5 1/4	2.7	3 1/4	2.3	3 1/4
Mainland Norway	8.0	2.1	3 3/4	3.5	5.3	4	5.7	..	5.0	..
Industries	2.6	2.8	..	3.6	4.1	..	4.5	..	4.6	..
Housing	22.0	3.6	..	7.0	6.7	..	7.2	..	4.9	..
General government	3.0	-1.7	..	-1.4	5.7	..	6.2	..	6.2	..
Demand from Mainland Norway ²	3.2	3.1	3 1/2	3.1	4.0	3	4.3	2 3/4	4.0	2 3/4
Stockbuilding ³	0.3	-0.1	..	..	0.0	..	0.0	..	0.0	..
Exports	- 1.4	1.8	..	0.8	0.4	..	1.1	..	2.4	..
Crude oil and natural gas	- 6.2	2.7	..	1.2	-1.0	..	-1.5	..	0.3	..
Traditional goods ⁴	- 0.4	1.4	1 1/2	-1.7	1.0	2 1/4	2.5	..	3.4	..
Imports	3.5	3.5	3 1/2	4.3	5.2	4 1/2	5.1	..	4.9	..
Traditional goods	5.3	3.0	..	4.5	6.4	..	6.3	..	6.2	..
Gross domestic product	1.4	3.1	2 3/4	2.4	2.0	2 1/4	2.6	2 1/4	2.9	2 1/4
Mainland Norway	2.4	3.2	3 1/4	2.7	2.8	3	3.4	3	3.4	3
Labour market										
Employed persons	1.4	2.1	1 1/2	1.6	1.4	1 1/4	1.5	1 1/4	1.5	1 1/4
Unemployment rate (level)	3.3	3.3	3 1/4	3.3	3.4	3 1/2	3.3	3 1/2	3.2	3 1/2
Prices and wages										
Annual earnings	4.2	4.1	3 3/4	3 3/4	3.9	4	4.2	4	4.3	4 1/4
Consumer price index (CPI)	1.2	1.0	1	0.9	1.3	1 3/4	1.9	2	2.3	2 1/4
CPI-ATE ⁵	0.9	1.3	1 1/4	1.4	1.4	1 1/2	1.9	2	2.3	2 1/4
Export prices, traditional goods	6.2	-1.8	..	0.1	0.2	..	3	..	3.8	..
Import prices, traditional goods	4.1	-0.8	..	0.0	-1.2	..	1.3	..	2.3	..
Housing prices	8.0	7	..	..	6.3	..	6.9	..	7.6	..
Balance of payment										
Current balance (bill. NOK)	395.9	422.9	..	380.0	293.6	..	307.5	..	304.6	..
Current balance (per cent of GDP)	14.6	14.6	..	13.4	11.2	..	9.5	..	9.4	..
Memorandum items:										
Household savings ratio (level)	8.2	8.2	..	8.8	8.5	..	8.1	..	6.4	..
Money market rate (level)	2.9	2.3	2.4	2.4	2.4	2.3	3.1	2.9	4.0	3.6
Lending rate, credit loans (level) ⁶	3.6	3.9	..	..	3.6	..	3.9	..	4.7	..
Crude oil price NOK (level) ⁷	621	613	..	650	545	..	554	..	578	..
Export markets indicator	5.5	1.5	..	..	2.5	..	4.1	..	5.4	..
Importweighted krone exchange rate (44 countries) ⁸	- 2.4	-0.5	-1	-1.0	-0.8	0	0.3	0	1.3	1/4

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

Statistics Norway (SN), Ministry of Finance, St.meld. nr.2 (2011-2012), (MoF), Norges Bank, Pengepolitisk rapport 1/2012 (NB).

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



Source: Statistics Norway.

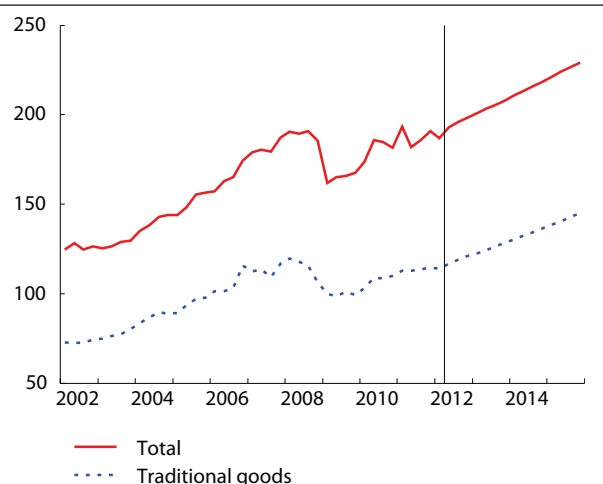
investment and in the business cycle, because investment is procyclical. Nevertheless, investment differs from output and unemployment in that it fluctuates considerably more widely in the course of a business cycle. In previous cyclical upturns, investment growth has been three to four times as high as output growth. The picture in the current cyclical upturn is somewhat different. We are expecting investment growth to be only slightly higher than output growth for the remainder of the projection period. This must be considered in light of the fact that the Norwegian business cycle has normally coincided with the international business cycle. The current cyclical upturn in Norway, on the other hand, is taking place concurrently with a clear global economic downturn. Demand directed at those manufacturing segments that compete in the international market is therefore low, which will depress manufacturing investment in the near term. Overall, business investment is expected to grow by between 2 and 5 per cent for the remainder of the projection period. By way of comparison, the last three cyclical upturns were characterised by annual growth rates ranging from 10-20 per cent. Weaker developments in the external account

Norwegian exports have been affected by the global downturn since the financial crisis in 2008. While weak international demand and loss of cost competitiveness have curbed export growth, relatively strong domestic demand has maintained imports at a high level. Imports are now approximately at the level prior to the financial crisis, while exports are about five per cent lower.

Export prices have risen substantially, while import prices have moved on a weak trend. We expect export prices for traditional goods to exhibit more moderate developments in 2012 and 2013, and only to rise again towards the end of the projection period. We assume that import prices will continue to develop weakly.

Seasonally adjusted QNA figures show that developments in exports in the latter half of 2011 were weak. This is largely due to the reduction in traditional

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

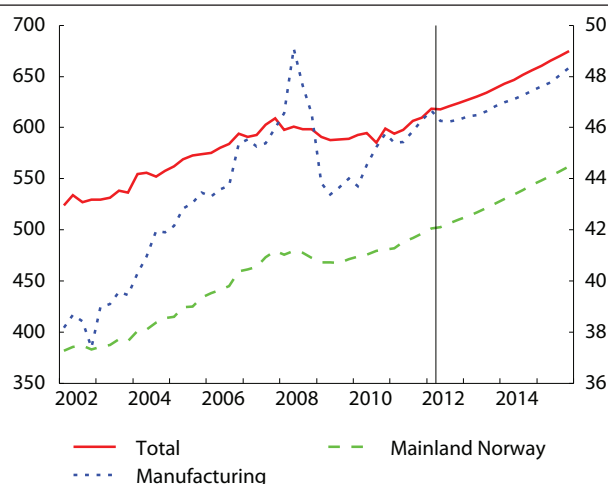


Source: Statistics Norway.

exports. However, traditional exports rose by 3.8 per cent in the first quarter of 2012. The upswing must be viewed in light of a broad-based decline in the fourth quarter of 2011. Oil and gas exports increased by 6.5 per cent. The trend and production-based decline in oil exports continues, but gas exports were record-high in the first quarter of this year. Reduced exports of services, particularly financial and commercial, limited growth in overall exports to 2.1 per cent. Whereas goods exports increased substantially, export prices exhibited a weak trend in the first quarter of the year, with the exception of oil prices, which rose by about USD 10 per barrel. The decline in prices for traditional goods was broad-based, and to some extent reflected an appreciation of the krone, the effect of which, in isolation, was to lower export prices in NOK. The price index for exported services fell by almost two per cent, and the decline can be attributed to lower gross freight rates in international shipping and for oil- and gas-related services.

A negative export tendency through 2011 and weak and uncertain economic developments in a number of countries that are important recipients of Norwegian exports point to low export growth rates in the period ahead. Continued weakened cost-competitiveness points the same way. Traditional exports are projected to grow by 1.4 per cent this year, but the growth rate is expected to increase in 2014 and 2015, as growth in many countries is expected to pick up gradually from the current very low levels. Growth in service exports is expected to be slightly higher and steadier. Oil and gas exports will probably increase by just over 1 per cent this year, following the sharp reduction in 2011, and then continue their weak trend decline through the projection period. Inflation is only expected to reflect a weak global economic recovery towards the end of the projection period.

Imports of goods increased through 2010, but have remained at much the same level since. Service imports, on the other hand, increased through 2011.

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

Source: Statistics Norway.

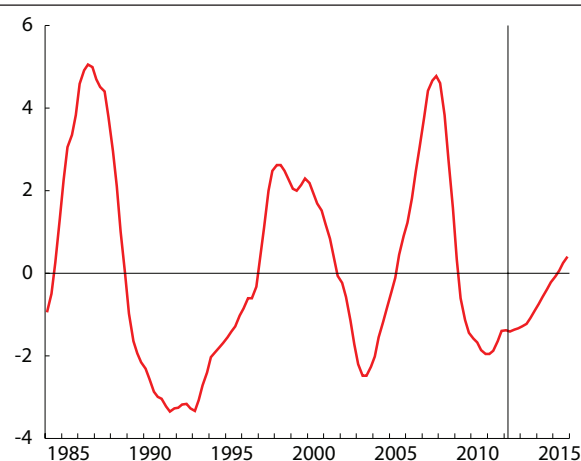
Lower service imports in the first quarter of 2012 must be viewed in light of an equivalent rise in the previous quarter. We project relatively slow growth in imports of traditional goods this year and appreciably higher growth in service imports. Import growth is being curbed by moderate growth in domestic demand, but is expected to increase to more normal rates in the years 2013-2015. There is little to indicate a substantial rise in import prices this year, nor in the next few years.

External trade in goods and services excluding oil and gas has shown a deficit each year since 2000, and a negative trend. The export value of oil and gas has been so high, however, and as a rule increasing, that overall foreign trade has shown a surplus, as a rule also increasing. We expect 2012 to be another such year, and that the surplus may exceed NOK 400 billion. Thereafter, developments in both the volume and prices of exports and imports will contribute to reducing the surplus to NOK 260 billion in 2015. Given an assumed annual net factor income and transfers surplus of NOK 15–40 billion in the projection period, the current account surplus as a share of GDP will fall from over 14 per cent in 2012 to less than 10 per cent in 2015.

Economic recovery

The level of activity in the mainland economy accelerated in the spring of 2011, and growth has remained high subsequently. In the first quarter of 2012, mainland GDP grew by an annualised 4.4 per cent and the level was 4.5 per cent higher than in the same quarter last year. By way of comparison, the growth figures for 2010 and 2011 were 1.9 per cent and 2.4 per cent, respectively. The most recent national accounts figures indicate that the Norwegian economy bottomed out in the first quarter of 2011, but remains in a moderate downturn.

Growth in the different industries has varied widely since the financial crisis. In the fourth quarter of 2010, mainland GDP exceeded the former peak-level reached in the second quarter of 2008. Excluding value added

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

Source: Statistics Norway.

in general government, which has been rising for a long time, the GDP level prior to the financial crisis was topped two quarters later. Mainland-based market-oriented services regained the level prior to the financial crisis as early as in the first quarter of 2010. The decline in goods-producing industries was far more pronounced, and in the first quarter of this year, manufacturing value added remained appreciably lower than before the financial crisis. Production of other kind of goods only exceeded the level prior to the financial crisis in the first quarter of 2012.

Business sector development in 2011 strongly reflected the pronounced growth in demand from the petroleum industry, high growth in housing investment, moderate growth in other mainland demand and weak developments in external demand. This picture changed somewhat in the first quarter of this year. Mainland demand growth remains moderate, but housing investment has slowed somewhat while growth in household consumption has picked up. There was relatively solid growth in exports of traditional goods, and demand from the petroleum industry continued to grow strongly.

Because of the demand situation, output developments also vary within the main groups. In the first quarter of this year, output growth remained high in a number of manufacturing segments that make substantial deliveries to the petroleum sector, whereas a number of traditional manufacturing industries saw a decline in output. Power production increased perceptibly in the first three months of the year. Growth was also high in construction, aquaculture, mining and the primary industries.

In manufacturing and mining, which account for over 10 per cent of mainland GDP (basic value), growth was 0.8 per cent in the first quarter and production was 2.5 per cent higher than in the same period last year. Whereas production growth in the shipbuilding and engineering industry and the wood and wood products

and paper products industry was around 5 per cent in the first quarter, a number of other manufacturing industries reported a clear fall in production. The paper products industry fell by 13.8 per cent, production of chemicals and chemical products fell by 5.6 per cent and the furniture industry fell by 4.1 per cent.

Developments in general government, which accounts for less than a quarter of mainland value added, were weaker in the first quarter of 2012 than for the economy as a whole, with growth of 0.4 per cent. Growth in this sector was solid throughout 2011, resulting in a 3.2 per cent higher production level than in the same quarter last year.

Market-oriented services, which accounted for somewhat more than half of mainland GDP in 2011, expanded by 1.0 per cent in the first quarter, and production was 3.6 per cent higher than a year ago. The largest individual industry, retail trade, accounts alone for almost 10 per cent of mainland GDP, and is accordingly almost equal in size to manufacturing. In the first quarter, retail trade growth was as much as 3.6 per cent. Sales and operation of real property was increased by 2.7 per cent, while commercial services increased 1.3 per cent. Value added in finance and insurance fell by 1.1 per cent in the first quarter, however.

Other goods production, which is dominated by construction, accounted for 12.3 per cent of mainland GDP in 2011. Despite the fact that construction is a highly cyclical industry, short-term developments in other goods production are often dominated by the other industries, particularly fishing and aquaculture and electricity production. These industries are substantially influenced by naturally occurring factors, and normal cyclical factors have little influence on developments. This was also the case in the first quarter of 2012. Production in this main group increased by a full 4.8 per cent, such that production was 13 per cent higher than the level in the first quarter of 2011. Fishing and fish-farming report the highest quarterly growth in this group, at 9.9 per cent. Growth in electricity supply and agriculture and forestry was also high. Growth in electricity supply is largely driven by high exports of electricity as a result of a large power surplus following a wet summer and a mild winter. Construction growth in the first quarter was a solid 3.3 per cent, and production was accordingly almost 10 per cent higher than in the first quarter of last year. The level was still slightly lower than the peak before the financial crisis.

Growth in the petroleum production industry in the first quarter was 2.6 per cent compared with the previous quarter, and production was 1.6 per cent higher than one year previously. Services associated with production of petroleum grew strongly through 2011, so that even with approximately zero growth in the first quarter the level was 16 per cent higher than a year previously. Production in international shipping rose by over 6 per cent in the first quarter of 2012.

Since the petroleum industry accounts for over 20 per cent of GDP, developments in the petroleum industry strongly affect overall GDP growth, which was 1.4 per cent in the first quarter, compared with 1.1 per cent for mainland Norway.

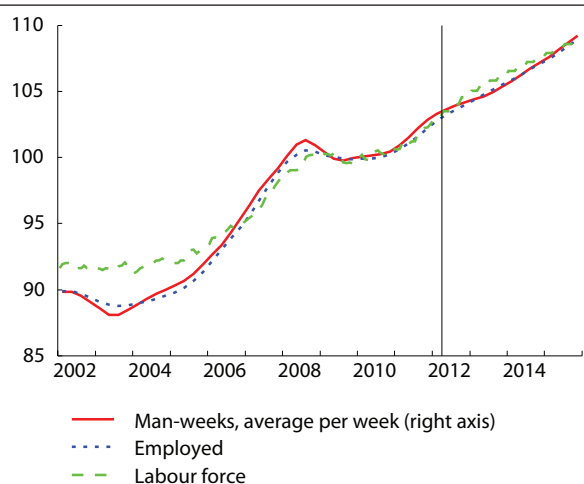
Our calculations indicate that the economic upturn will continue this year and in the next few years. Growth in mainland GDP has been boosted by high electricity production as a result of a high level of precipitation, and is expected to be lower going forward than it has been for the last four quarters. We expect underlying growth to remain somewhat higher than trend growth. Mainland demand will increase and contribute to positive developments in many of the traditional sheltered industries. Petroleum-related activities will probably maintain a high level of activity, but the strong growth in petroleum investment will decline markedly from next year. Many export-oriented industries will continue to struggle because of the weak global economic situation and continued loss of market shares. However, we anticipate that global growth will gradually begin to pick up in the course of 2013. The positive growth impulses are likely to be countered by slower growth in demand from the petroleum industry, and by the fact that much of the increase in mainland demand will be met by increased imports. Nevertheless, we believe that the economic recovery will continue and that growth will pick up slightly through 2013. According to our projections, the recovery will contribute to the Norwegian economy reaching normal capacity utilisation in 2015, thereby emerging from a six-year moderate downturn.

Improved labour market going forward

The positive employment trend from the second half of 2010 has continued through 2011 and into the first quarter of 2012, where the increase was a whole 20 000 persons according to QNA figures. The average number of persons employed in 2011 was 2.6 million, an increase of 36 000 compared with the previous year. Figures from the Labour Force Survey (LFS) confirm the strong growth in employment so far this year. Average figures for the period February to April this year show that LFS employment increased by 19 000 persons compared with the previous three-month period.

In contrast to the broad, strong employment growth prior to the financial crisis, employment developments across industries have varied widely through the past year. General government employment edged up 0.1 per cent in the first quarter. Retail trade employment increased by 1 per cent in the first quarter of this year, and quarterly employment growth has varied from -1.4 to 1.5 per cent over the past year. Transport and communications and a number of other market-oriented service industries reported employment growth of around 2 per cent in the first quarter. Employment in the construction industry increased strongly through the last three quarters of last year, but growth in

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



Source: Statistics Norway.

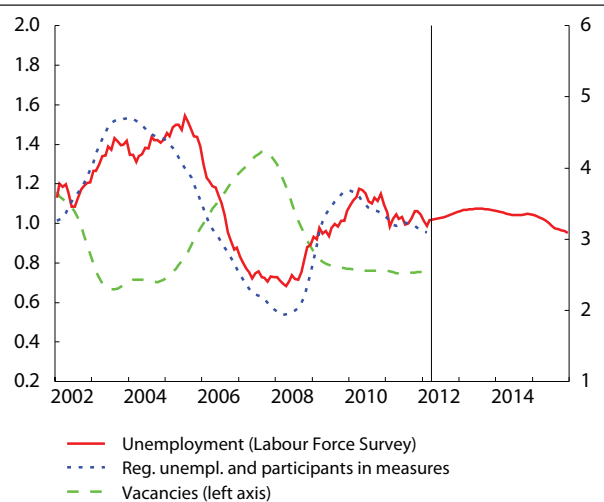
the first quarter of 2012 was only 0.2 per cent. The employment level remains lower than before the financial crisis in both construction and retail trade. Manufacturing employment increased by 0.2 per cent in the first quarter, but employment has gone down in some manufacturing segments. The fall was especially large in the rubber and plastic products and non-metallic mineral products industry, at 2.6 per cent, the oil refinement, chemicals and pharmaceuticals industry, at 2.8 per cent, and production of chemicals and chemical products, at 6.5 per cent.

Seasonally adjusted QNA figures show that growth in the number of man-hours worked was approximately the same as the growth in the numbers employed in the first quarter of this year. According to statistics from the Norwegian Labour and Welfare Administration (NAV), the decline in the number of lay-offs contributed to raising the growth in man-hours worked. The numbers of both wholly and partial lay-offs declined during this period. However, the strikes that ended recently and those still in progress will push down the number of man-hours worked in the current year.

The relatively positive labour market picture is also reflected in the fact that LFS unemployment has fallen steadily after peaking at 3.6 per cent in the fourth quarter of 2010. Unemployment in the first quarter of 2012 was 3.2 per cent, whereas an average for the period February to April shows a further reduction in the unemployment rate to 3.0 per cent. Last year, unemployment remained relatively stable around the annual average of 3.3 per cent.

NAV's registered unemployment figures confirm a slight decline in unemployment so far this year, with the exception of May. At the end of May 2012, some 83 000 persons were either on labour market programmes or registered as unemployed. So far this year, about 2 100 fewer have been registered as unemployed, while the number on ordinary labour market programmes has fallen in the same period by slightly less than 1 400.

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.

The numbers of vacancies in the public and private sectors, as announced in the media or reported to the Labour and Welfare Administration, were unchanged in May compared with the same month last year.

Registered unemployment shows a decline for most of the occupational groups in the NAV statistics compared with the same time last year. The decline in unemployment by occupational group corresponds broadly to the industries that have reported employment growth. The largest decline in unemployment is in construction, but there has also been a decline so far this year in engineering and ICT and academic occupations and among brokers and consultants. Manufacturing workers have experienced a somewhat weaker decline in unemployment than the occupational groups mentioned above. Unemployment in work with children and youth work has increased so far this year, however. The highest numbers of unemployed are in occupations such as manufacturing and construction, where the numbers unemployed at the end of April 2012 were some 8 000 and 7 000, respectively.

NAV regards unemployment lasting 26 weeks or longer as long-term unemployment. It has generally proved difficult for the long-term unemployed to get back into work, and developments in the number of long-term unemployed are therefore an independent sign of pressures in the labour market. So far this year, the number unemployed for 52 weeks or more has been reduced, while the number unemployed from 26 to 51 weeks has increased from around 11 000 to 12 500.

According to the LFS, there was an increase in the labour force (total of employed and unemployed) of 18 000 in the first quarter of 2012. However, the three-month moving average, which is based on figures up to and including April, shows a clear levelling off of growth so far in 2012. Developments in the labour force are influenced by developments in demographic factors such as changes in population size and composition, but also

by changes in the labour force participation of various groups. The participation rate, which is the labour force as a share of the working age population, remained stable at over 71 per cent.

In the near term, lower output growth in segments of the export industries implies a reduction in the need for labour in export-oriented manufacturing, while high demand from the petroleum industry and growth in domestic demand contribute to growth in the ship-building, transport and food industries. The outlook is therefore favourable for about one third of overall manufacturing employment. Construction and retail trade are extensively influenced by domestic demand. The outlook for these major employment industries is also favourable in the projection period.

We assume that the Norwegian and international situation implies considerable inward migration in the future as well, particularly next year. This means that the labour supply will grow somewhat more than employment in 2013, but that employment will otherwise increase approximately in pace with the overall labour force in the projection period. Growth in both employment and the labour supply will abate somewhat towards the end of the projection period, however. We project that LFS unemployment will be 3.3 per cent this year, and that it will remain relatively stable at this level through 2015.

Stable wage growth

In the most recent QNA figures, annual wage growth in 2011 was revised down by 0.1 percentage point to 4.2 per cent because wage growth in manufacturing and municipal government were slightly lower than previously estimated. Wage growth in 2011 was half a percentage point higher than the previous year, partly owing to domestic factors. Petroleum investment grew particularly strongly through 2011 and is now at a very high level. This stimulates activity in large segments of the supplier industry, resulting in a high ability to pay in some segments of the economy. The unemployment level also fell through 2011. Growth in annual wages from 2010 to 2011 was also affected by the rebound after the financial crisis, with more favourable developments in export markets than the previous year. The ability to pay of manufacturing companies was therefore higher.

This year's wage settlement is a main settlement in the two-year collective wage agreements. Both employer and employee organisations urged moderation in advance of the settlements, and there was broad agreement that overall wage growth in manufacturing should provide the framework for wage growth in the other parts of the economy. Centrally negotiated wage settlements have been concluded without conflicts in large parts of the private sector. We project that annual wages for manufacturing as a whole will grow by more than 4 per cent this year. The full-year effect of

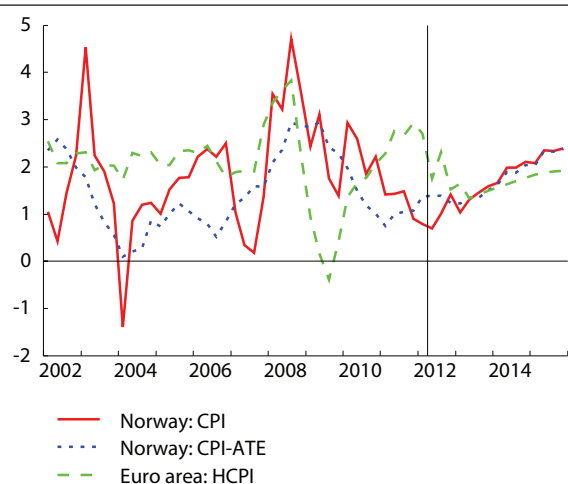
last year's pay increase and this year's negotiated pay increase adds 2.15 per cent to wages for manufacturing workers. For white-collar workers in manufacturing, the full-year effect of last year's pay increase contributes 1.8 per cent. Overall wage growth in manufacturing also depends on wage drift, which is all wage growth not resulting from the negotiated wage settlements and which is higher for white-collar workers who are not covered by the wage agreements. Large segments of internationally exposed manufacturing, with the exception of suppliers to the petroleum industry, are currently under pressure. The ability to pay of this part of the manufacturing sector is limited, and we believe that wage drift will be relatively low this year. On the other hand, unemployment has fallen somewhat so far this year, which may indicate stronger competition for labour, and this implies higher wage growth. There have been strikes in the public sector, but the parties have now negotiated a solution that appears to entail wage growth of around 4 per cent. However, some conflict still remains. We believe that wage growth in the remainder of the private sector will be slightly higher than wage growth in manufacturing, and project overall annual wage growth of 4.1 per cent this year. We have accordingly revised the projection for annual wage growth in 2011 half a percentage point up since our previous report.

Demand for goods and services from the Norwegian export sector may be particularly low this year and next, and this is expected to affect wage negotiations next year. Moreover, the negotiated increases are traditionally smaller in interim settlements, and we project annual wage growth of 3.9 per cent in 2013.

Productivity growth is important for business sector profitability, and is normally higher during a cyclical upturn than we are currently experiencing. We do not expect growth in labour productivity to pick up to any significant degree through the projection period. In isolation, weak productivity growth dampens wage growth. Developments in export markets will improve slightly from 2014, however, which will ease the situation for internationally exposed manufacturing. Norwegian export prices will then probably follow a more favourable path, allowing scope for further wage growth in the wage-leading manufacturing sector towards the end of the projection period. Slightly higher inflation will have the same effect, with the result that wage growth will be somewhat higher in 2014 and 2015. However, the projections indicate that growth in real wages will decline somewhat going forward.

If our projections are accurate, the variation in annual wage growth in the period after the financial crisis will be moderate compared with earlier in the 2000s. Whereas growth in annual wages varied between 3.3 and 6.3 per cent from 2000 to 2008, it will only vary by slightly more than half a percentage point from 2009 to 2015 if our projections prove accurate. This reflects the fact that during almost the whole of this period the

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



Source: Statistics Norway.

Norwegian economy will be in a moderate downturn, with fairly unvarying unemployment, whereas much stronger cyclical movements were experienced in the period prior to the financial crisis.

Continued low inflation

Underlying inflation remains low, as it has done throughout 2010 and 2011. In April 2012, the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) was 0.7 percentage point higher than in the same month the previous year. This is a substantially lower twelve-month rise than in the two previous months. The main reason for this latest decline was a fall in prices for air travel from March to April this year compared to the same time last year, when they rose by over 50 per cent as a result of the fact that the time when they were measured coincided with Easter. The year-on-year rise in the CPI-ATE has been in the interval 0.7–1.5 per cent for the past two years. No major changes in underlying inflation are expected in the immediate future. We believe that the CPI-ATE will rise by an annualised average of 1.3 per cent this year, while the rise in the consumer price index as a whole (CPI) is expected to be 1.0 per cent.

The most important contributions to the year-on-year rise in the CPI-ATE in April stemmed from estimated rent for owner-occupied dwellings, restaurant services and financial services excluding insurance. The price indices for air travel, audiovisual equipment, telecom services and clothing declined appreciably from April last year to April this year, however.

The CPI rose by only 0.3 per cent from April 2011 to April 2012. The low underlying inflation was further curbed by a fall in electricity prices (over 20 per cent), while higher fuel prices and some indirect taxes contributed in isolation to pushing inflation up slightly.

Developments in electricity prices have contributed substantially to divergence in the paths of the 12-month rise in the CPI and the CPI-ATE, respectively,

this past year. Third- and fourth-quarter prices for forward contracts in the Nord Pool area indicate that electricity prices will remain low throughout the third quarter, before beginning to rise as winter approaches. When account is taken of a reduction in grid rental from 2011 to 2012, it is assumed that annual average household electricity prices will be 15 per cent lower this year than in 2011. We project that the rise in electricity prices in the years 2013 to 2015 will be relatively moderate, but somewhat higher than general inflation, nonetheless. However, the projections further ahead are shrouded in uncertainty.

The CPI shows that prices for food and non-alcoholic beverages rose by 1.1 per cent from April 2011 to April 2012. After adjustment for the 1 per cent increase in value-added tax on food from the turn of the year, underlying inflation is close to zero. The agricultural unions broke off negotiations on the agricultural settlement on 12 May. The Proposition to the Storting relating to the 2012 Agricultural Settlement has subsequently been approved by the Council of State, and is to be debated by the Storting on 14 June. The proposition is consistent with the Government offer that was submitted on 9 May. According to the Government, the effect on food prices of this year's agricultural settlement will be less than half a per cent.

Imported consumer goods have a weight of over 25 per cent in the CPI-ATE, measured by delivery sector. Over the past decade, the shift towards increased imports from low-cost countries has generated negative inflationary impulses in Norway. Prices for imported consumer goods continued to fall into 2012, and the year-on-year change in April was a decline of 0.7 per cent compared with the same month a year previously. We expect annual average prices for imported consumer goods to fall by 0.3–0.5 per cent from 2011 to 2012. Lower import prices have a direct effect on prices for imported consumer products, and also an indirect effect, because imported products are used as factor input in domestic manufacturing. In isolation, a decline in prices for the business sector's factor inputs lowers prices for consumers. The global turmoil will probably contribute to dampening wage and price inflation among our trading partners in the medium term. Given the assumptions upon which we have based the projection scenario, the import-weighted krone exchange rate will continue to strengthen moderately this year and next. Impulses to domestic inflation generated by imported products are therefore expected to be moderate.

For 2012 we have factored in changes in indirect taxes adopted by the Storting. The indirect tax rates for subsequent years have been adjusted for expected inflation. An anticipated fall in oil prices in the next few quarters that levels off in 2013 will push CPI inflation down slightly in the medium term.

Developments in unit labour costs are central to movements in the underlying inflation rate. The significance

of wage developments for inflation increases in proportion to the labour intensity of production. Average labour costs per hour are expected to rise by around 4 per cent in the years immediately ahead. More effective utilisation of the input factors lowers unit production costs. We project that growth in labour productivity will be very modest this year, but appreciably higher in 2013. It is normal for productivity growth to pick up in a cyclical upturn. As we approach a situation with normal capacity utilisation, productivity growth will decline.

According to our projections, annual average CPI inflation in 2013 will be 1.3 per cent. After that, stronger domestic inflationary impulses coupled with higher prices abroad and a weaker krone exchange rate will contribute to higher CPI inflation, bringing it close to the inflation target in 2015. According to our projections, CPI-ATE inflation will be equal to CPI inflation in the years 2013-2015.

Table 4. **National accounts: Final expenditure and gross domestic product. At constant 2009 prices. Million kroner**

	Unadjusted		Seasonally adjusted						
	2010	2011	10.3	10.4	11.1	11.2	11.3	11.4	12.1
Final consumption expenditure of households and NPISHs	1 065 455	1 091 367	267 293	270 560	270 934	272 543	273 886	275 608	279 125
Household final consumption expenditure	1 016 238	1 041 718	254 979	258 110	258 537	260 196	261 450	263 156	266 555
Goods	516 722	523 611	129 308	131 891	130 480	131 321	131 608	131 901	134 396
Services	462 851	476 209	116 260	116 645	117 932	118 397	119 322	120 442	121 018
Direct purchases abroad by resident households	64 407	70 124	16 355	16 505	16 946	17 499	17 630	18 061	18 332
Direct purchases by non-residents	-27 742	-28 226	-6 944	-6 933	-6 821	-7 020	-7 109	-7 248	-7 191
Final consumption expenditure of NPISHs	49 218	49 649	12 314	12 451	12 397	12 347	12 436	12 452	12 570
Final consumption expenditure of general government	539 925	548 191	134 715	135 089	135 383	136 977	137 647	138 185	137 780
Final consumption expenditure of central government	274 466	277 459	68 817	68 466	68 384	69 167	69 744	70 211	69 828
Central government, civilian	240 019	243 377	60 308	59 882	59 958	60 681	61 129	61 662	61 279
Central government, defence	34 446	34 082	8 509	8 584	8 426	8 485	8 615	8 549	8 549
Final consumption expenditure of local government	265 459	270 731	65 898	66 623	66 999	67 810	67 903	67 974	67 951
Gross fixed capital formation	488 870	519 955	120 003	126 829	127 607	124 683	133 291	134 140	134 999
Extraction and transport via pipelines	122 370	138 720	28 635	31 499	32 266	33 599	36 318	36 578	38 819
Service activities incidental to extraction	1 240	-3 923	0	208	-91	-4269	514	-75	104
Ocean transport	24 836	17 458	6 410	5 615	4 986	4 003	4 484	4 005	5 003
Mainland Norway	340 423	367 699	84 958	89 506	90 446	91 350	91 975	93 631	91 073
Mainland Norway excluding general government	261 091	286 013	65 283	68 766	68 892	72 416	71 985	72 841	71 256
Industries	167 865	172 263	41 813	44 188	41 964	43 730	42 984	43 684	42 652
Manufacturing and mining	20 060	20 487	4 613	5 057	4 567	5 249	5 407	5 293	4 916
Production of other goods	39 916	43 514	10 140	10 524	10 465	10 856	11 067	11 080	11 258
Services	107 889	108 262	27 061	28 607	26 932	27 625	26 510	27 312	26 477
Dwellings (households)	93 226	113 750	23 469	24 578	26 927	28 686	29 001	29 157	28 605
General government	79 332	81 686	19 676	20 741	21 555	18 934	19 989	20 790	19 816
Changes in stocks and statistical discrepancies	58 542	66 669	17 349	13 470	24 650	12 052	8 644	22 127	17 826
Gross capital formation	547 412	586 623	137 353	140 299	152 257	136 735	141 935	156 267	152 825
Final domestic use of goods and services	2 152 792	2 226 181	539 360	545 948	558 574	546 255	553 468	570 059	569 730
Final demand from Mainland Norway	1 945 804	2 007 257	486 966	495 156	496 764	500 869	503 508	507 424	507 978
Final demand from general government	619 257	629 877	154 390	155 830	156 938	155 910	157 636	158 975	157 596
Total exports	945 560	931 984	230 475	234 619	228 522	233 667	238 670	230 795	235 696
Traditional goods	284 221	282 968	71 770	70 061	68 666	73 012	72 337	68 839	71 454
Crude oil and natural gas	396 175	371 622	93 269	95 805	94 578	89 928	97 053	90 003	95 826
Ships, oil platforms and planes	10 167	15 662	1 980	2 052	1 707	6 987	3 768	3 218	1 540
Services	254 997	261 732	63 455	66 701	63 571	63 740	65 512	68 736	66 877
Total use of goods and services	3 098 353	3 158 165	769 835	780 567	787 097	779 921	792 138	800 855	805 426
Total imports	725 811	751 293	184 726	181 457	193 390	182 064	185 809	191 020	187 083
Traditional goods	431 178	454 093	108 461	109 960	112 961	112 804	113 542	114 673	114 018
Crude oil and natural gas	11 227	10 800	3 180	2 094	4945	2 348	2336	2263	3908
Ships, oil platforms and planes	30 720	37 229	8 270	6 177	16 582	7 078	7 376	6 292	5 674
Services	252 686	249 171	64 815	63 226	58 902	59 834	62 554	67 792	63 482
Gross domestic product (market prices)	2 372 542	2 406 872	585 109	599 110	593 706	597 858	606 329	609 835	618 344
Gross domestic product Mainland Norway (market prices)	1 910 616	1 956 915	479 315	480 930	481 694	488 225	492 066	496 069	501 489
Petroleum activities and ocean transport	461 926	449 957	105 795	118 180	112 013	109 633	114 263	113 767	116 855
Mainland Norway (basic prices)	1 639 237	1 678 674	411 184	412 428	412 801	418 859	422 238	425 553	431 040
Mainland Norway excluding general government	1 253 354	1 283 735	314 924	315 924	315 376	320 042	323 031	325 852	330 955
Manufacturing and mining	179 219	182 879	45 232	45 754	45 417	45 433	45 870	46 285	46 656
Production of other goods	201 957	207 146	50 154	51 278	49 497	51 489	53 108	53 411	55 959
Services incl. dwellings (households)	872 178	893 710	219 537	218 891	220 461	223 120	224 053	226 155	228 339
General government	385 884	394 939	96 260	96 505	97 425	98 817	99 208	99 701	100 085
Taxes and subsidies products	271 379	278 241	68 131	68 502	68 893	69 366	69 827	70 515	70 449

Source: Statistics Norway.

Table 5. **National accounts: Final expenditure and gross domestic product. At constant 2009 prices. Percentage change from the previous period**

	Unadjusted		Seasonally adjusted						
	2010	2011	10.3	10.4	11.1	11.2	11.3	11.4	12.1
Final consumption expenditure of households and NPISHs	3.7	2.4	1.1	1.2	0.1	0.6	0.5	0.6	1.3
Household final consumption expenditure	3.8	2.5	1.1	1.2	0.2	0.6	0.5	0.7	1.3
Goods	4.2	1.3	0.7	2	-1.1	0.6	0.2	0.2	1.9
Services	2.3	2.9	1	0.3	1.1	0.4	0.8	0.9	0.5
Direct purchases abroad by resident households	12.3	8.9	4.7	0.9	2.7	3.3	0.8	2.4	1.5
Direct purchases by non-residents	6.2	1.7	-1.1	-0.2	-1.6	2.9	1.3	2	-0.8
Final consumption expenditure of NPISHs	1.5	0.9	0	1.1	-0.4	-0.4	0.7	0.1	0.9
Final consumption expenditure of general government	1.7	1.5	-0.1	0.3	0.2	1.2	0.5	0.4	-0.3
Final consumption expenditure of central government	-0.4	1.1	0.3	-0.5	-0.1	1.1	0.8	0.7	-0.5
Central government. civilian	0	1.4	0.5	-0.7	0.1	1.2	0.7	0.9	-0.6
Central government. defence	-3.1	-1.1	-1.6	0.9	-1.8	0.7	1.5	-0.8	0
Final consumption expenditure of local government	4	2	-0.5	1.1	0.6	1.2	0.1	0.1	0
Gross fixed capital formation	-5.2	6.4	-3.9	5.7	0.6	-2.3	6.9	0.6	0.6
Extraction and transport via pipelines	-9	13.4	-10.9	10	2.4	4.1	8.1	0.7	6.1
Service activities incidental to extraction	-87.2	-416.3	-100.2	..	-143.7	..	-112	-114.6	-238.6
Ocean transport	11.7	-29.7	-7.4	-12.4	-11.2	-19.7	12	-10.7	24.9
Mainland Norway	-2.5	8	-0.8	5.4	1.1	1	0.7	1.8	-2.7
Mainland Norway excluding general government	-0.9	9.5	-0.6	5.3	0.2	5.1	-0.6	1.2	-2.2
Industries	-0.2	2.6	-3.4	5.7	-5	4.2	-1.7	1.6	-2.4
Manufacturing and mining	-21.6	2.1	-16.6	9.6	-9.7	14.9	3	-2.1	-7.1
Production of other goods	7	9	1.1	3.8	-0.6	3.7	1.9	0.1	1.6
Services	2.5	0.3	-2.3	5.7	-5.9	2.6	-4	3	-3.1
Dwellings (households)	-2.2	22	4.7	4.7	9.6	6.5	1.1	0.5	-1.9
General government	-7.5	3	-1.5	5.4	3.9	-12.2	5.6	4	-4.7
Changes in stocks and statistical discrepancies	320.7	13.9	-2.3	-22.4	83	-51.1	-28.3	156	-19.4
Gross capital formation	3.4	7.2	-3.7	2.1	8.5	-10.2	3.8	10.1	-2.2
Final domestic use of goods and services	3.1	3.4	-0.5	1.2	2.3	-2.2	1.3	3	-0.1
Final demand from Mainland Norway	2	3.2	0.4	1.7	0.3	0.8	0.5	0.8	0.1
Final demand from general government	0.5	1.7	-0.3	0.9	0.7	-0.7	1.1	0.8	-0.9
Total exports	1.8	-1.4	-3.4	1.8	-2.6	2.3	2.1	-3.3	2.1
Traditional goods	2.5	-0.4	1.7	-2.4	-2	6.3	-0.9	-4.8	3.8
Crude oil and natural gas	-4.8	-6.2	-10	2.7	-1.3	-4.9	7.9	-7.3	6.5
Ships. oil platforms and planes	-14.4	54.1	-3	3.6	-16.8	309.4	-46.1	-14.6	-52.1
Services	13.8	2.6	1.7	5.1	-4.7	0.3	2.8	4.9	-2.7
Total use of goods and services	2.7	1.9	-1.4	1.4	0.8	-0.9	1.6	1.1	0.6
Total imports	9.9	3.5	-0.6	-1.8	6.6	-5.9	2.1	2.8	-2.1
Traditional goods	8.1	5.3	-0.5	1.4	2.7	-0.1	0.7	1	-0.6
Crude oil and natural gas	-17.7	-3.8	-10.2	-34.2	136.2	-52.5	-0.5	-3.1	72.7
Ships. oil platforms and planes	-2.9	21.2	-7.2	-25.3	168.4	-57.3	4.2	-14.7	-9.8
Services	16.8	-1.4	0.6	-2.5	-6.8	1.6	4.5	8.4	-6.4
Gross domestic product (market prices)	0.7	1.4	-1.6	2.4	-0.9	0.7	1.4	0.6	1.4
Gross domestic product Mainland Norway (market prices)	1.9	2.4	0.8	0.3	0.2	1.4	0.8	0.8	1.1
Petroleum activities and ocean transport	-3.9	-2.6	-11.2	11.7	-5.2	-2.1	4.2	-0.4	2.7
Mainland Norway (basic prices)	1.5	2.4	0.6	0.3	0.1	1.5	0.8	0.8	1.3
Mainland Norway excluding general government	1.5	2.4	1	0.3	-0.2	1.5	0.9	0.9	1.6
Manufacturing and mining	2.4	2	1.6	1.2	-0.7	0	1	0.9	0.8
Production of other goods	0.6	2.6	1.4	2.2	-3.5	4	3.1	0.6	4.8
Services incl. dwellings (households)	1.6	2.5	0.8	-0.3	0.7	1.2	0.4	0.9	1
General government	1.5	2.3	-0.6	0.3	1	1.4	0.4	0.5	0.4
Taxes and subsidies products	3.9	2.5	1.9	0.5	0.6	0.7	0.7	1	-0.1

Source: Statistics Norway.

Table 6. **National accounts: Final expenditure and gross domestic product. Price indices. 2009=100**

	Unadjusted		Seasonally adjusted						
	2010	2011	10.3	10.4	11.1	11.2	11.3	11.4	12.1
Final consumption expenditure of households and NPISHs	102.1	103.4	101.9	102.4	102.6	103.6	103.5	103.3	103.8
Final consumption expenditure of general government	103.0	106.9	103.9	104.1	106.1	106.5	107.1	108.1	108.9
Gross fixed capital formation	102.1	105.8	102.2	102.5	103.9	105.9	105.8	107.3	108.7
Mainland Norway	102.5	106.4	102.4	103.2	105.2	106.2	106.7	107.2	109.6
Final domestic use of goods and services	102.7	105.3	102.6	103.4	105.0	105.8	104.6	106.0	107.1
Final demand from Mainland Norway	102.4	104.9	102.5	103.0	104.1	104.8	105.0	105.3	106.2
Total exports	109.8	122.9	110.4	116.6	121.0	121.2	122.8	127.4	128.9
Traditional goods	105.3	111.8	106.2	109.7	112.7	112.5	111.5	111.5	110.0
Total use of goods and services	104.9	110.5	104.9	107.4	109.6	110.4	110.1	112.1	113.5
Total imports	100.0	102.5	100.3	102.1	102.6	103.2	102.3	103.5	101.7
Traditional goods	99.4	103.5	98.9	101.3	104.6	103.4	102.8	103.6	103.7
Gross domestic product (market prices)	106.4	113.0	106.4	109.0	111.9	112.6	112.4	114.8	117.1
Gross domestic product Mainland Norway (market prices)	103.9	106.5	104.2	105.0	106.0	106.7	106.6	106.9	107.6

Source: Statistics Norway.

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

	Unadjusted		Seasonally adjusted						
	2010	2011	10.3	10.4	11.1	11.2	11.3	11.4	12.1
Final consumption expenditure of households and NPISHs	2.1	1.3	0.8	0.5	0.2	0.9	-0.1	-0.2	0.5
Final consumption expenditure of general government	3.0	3.7	1.5	0.2	1.9	0.4	0.5	0.9	0.8
Gross fixed capital formation	2.1	3.6	-0.9	0.3	1.4	1.9	-0.1	1.4	1.3
Mainland Norway	2.5	3.8	-0.1	0.7	2.0	0.9	0.5	0.5	2.2
Final domestic use of goods and services	2.7	2.6	-0.1	0.8	1.5	0.8	-1.2	1.3	1.1
Final demand from Mainland Norway	2.4	2.4	0.8	0.5	1.0	0.8	0.2	0.3	0.9
Total exports	9.8	11.9	2.6	5.7	3.8	0.1	1.3	3.8	1.2
Traditional goods	5.3	6.2	1.0	3.2	2.8	-0.2	-0.9	0.0	-1.4
Total use of goods and services	4.9	5.4	0.7	2.3	2.1	0.7	-0.3	1.9	1.2
Total imports	0.0	2.5	-0.7	1.8	0.5	0.6	-0.9	1.2	-1.8
Traditional goods	-0.6	4.1	-1.3	2.5	3.2	-1.2	-0.6	0.8	0.1
Gross domestic product (market prices)	6.4	6.3	1.2	2.4	2.7	0.6	-0.2	2.1	2.0
Gross domestic product Mainland Norway (market prices)	3.9	2.6	1.0	0.8	0.9	0.7	-0.1	0.3	0.6

Source: Statistics Norway.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010*	2011*	Forecasts			
											2012	2013	2014	2015
Demand and output														
Consumption in households etc.	3.1	3.2	5.4	4.4	5.0	5.4	1.8	0.0	3.7	2.4	3.9	4.3	4.6	4.3
General government consumption	3.1	1.3	1.2	1.4	1.9	2.7	2.7	4.3	1.7	1.5	2.3	2.6	2.8	2.5
Gross fixed investment	-1.1	0.8	11.1	13.5	9.8	11.4	0.2	-7.5	-5.2	6.4	6.1	4.6	4.7	4.1
Extraction and transport via pipelines	-5.4	15.9	10.4	19.2	4.0	6.1	5.2	3.4	-9.0	13.4	12.8	3.6	2.7	2.3
Mainland Norway	2.3	-2.9	10.6	12.2	10.5	13.3	-1.3	-13.2	-2.5	8.0	2.1	5.3	5.7	5.0
Industries	4.0	-11.2	10.6	18.6	15.2	21.9	0.8	-23.1	-0.2	2.6	2.8	4.1	4.5	4.6
Housing	-0.7	1.8	16.3	9.7	4.0	2.7	-9.0	-8.2	-2.2	22.0	3.6	6.7	7.2	4.9
General government	1.7	12.5	3.9	2.0	9.7	8.0	4.5	7.4	-7.5	3.0	-1.7	5.7	6.2	6.2
Demand from Mainland Norway ¹	3.0	1.6	5.1	4.9	5.2	6.3	1.4	-1.6	2.0	3.2	3.1	4.0	4.3	4.0
Stockbuilding ²	0.2	-0.8	1.6	-0.1	0.9	-0.1	-0.1	-2.1	1.9	0.3	-0.1	0.0	0.0	0.0
Exports	-0.3	-0.1	1.0	0.5	-0.8	1.4	0.1	-4.2	1.8	-1.4	1.8	0.4	1.1	2.4
Crude oil and natural gas	2.4	-0.8	-0.7	-5.0	-6.6	-2.5	-1.0	-2.0	-4.8	-6.2	2.7	-1.0	-1.5	0.3
Traditional goods	0.8	3.6	3.5	5.3	6.2	9.2	3.2	-8.0	2.5	-0.4	1.4	1.0	2.5	3.4
Imports	1.0	1.2	9.7	7.9	9.1	10.0	3.9	-12.5	9.9	3.5	3.5	5.2	5.1	4.9
Traditional goods	3.0	5.6	12.9	8.0	11.6	8.3	0.2	-11.8	8.1	5.3	3.0	6.4	6.3	6.2
Gross domestic product	1.5	1.0	4.0	2.6	2.5	2.7	0.0	-1.7	0.7	1.4	3.1	2.0	2.6	2.9
Mainland Norway	1.4	1.3	4.5	4.4	5.0	5.3	1.5	-1.6	1.9	2.4	3.2	2.8	3.4	3.4
Manufacturing	-0.7	2.9	5.1	3.9	2.6	3.5	3.7	-7.4	2.4	2.0	1.2	0.6	1.4	1.4
Labour market														
Total hours worked. Mainland Norway	-0.9	-2.1	1.9	1.5	3.3	4.3	3.5	-2.0	0.8	1.6	2.0	0.8	1.8	1.9
Employed persons	0.4	-1.2	0.5	1.3	3.5	4.1	3.2	-0.4	-0.1	1.4	2.1	1.4	1.5	1.5
Labor force ³	0.7	-0.1	0.3	0.8	1.9	2.5	3.4	0.0	0.5	1.0	2.2	1.8	1.4	1.3
Participation rate (level) ³	73.5	72.9	72.6	72.4	72.0	72.8	73.9	72.8	71.9	71.4	71.9	72.1	72.0	71.9
Unemployment rate (level) ³	3.9	4.5	4.5	4.6	3.4	2.5	2.6	3.2	3.6	3.3	3.3	3.4	3.3	3.2
Prices and wages														
Wages per standard man-year	5.7	4.5	3.5	3.3	4.1	5.4	6.3	4.2	3.7	4.2	4.1	3.9	4.2	4.3
Consumer price index (CPI)	1.3	2.5	0.4	1.6	2.3	0.8	3.8	2.1	2.5	1.2	1.0	1.3	1.9	2.3
CPI-ATE ⁴	2.3	1.1	0.3	1.0	0.8	1.4	2.6	2.6	1.4	0.9	1.3	1.4	1.9	2.3
Export prices, traditional goods	-9.2	-0.9	8.5	4.3	11.4	2.5	3.0	-6.2	5.3	6.2	-1.8	0.2	3.0	3.8
Import prices, traditional goods	-7.1	0.0	2.7	0.4	4.1	3.7	4.2	-1.8	-0.6	4.1	-0.8	-1.2	1.3	2.3
Housing prices ⁵	5.0	1.7	10.1	8.2	13.7	12.6	-1.1	1.9	8.3	8.0	7.0	6.3	6.9	7.6
Income, interest rates and exchange rate														
Household real income	8.9	4.6	3.3	7.8	-6.4	6.3	3.9	3.9	3.5	4.2	4.0	4.5	4.0	2.6
Household saving ratio (level)	8.4	9.0	7.0	9.8	-0.5	0.9	3.5	6.8	6.3	8.2	8.2	8.5	8.1	6.4
Money market rate (level)	6.9	4.1	2.0	2.2	3.1	5.0	6.2	2.5	2.5	2.9	2.3	2.4	3.1	4.0
Lending rate, credit loans (level) ⁶	8.5	6.5	4.2	3.9	4.3	5.0	6.8	4.0	3.4	3.6	3.9	3.6	3.9	4.7
Real after-tax lending rate, banks (level)	4.8	2.2	2.5	1.3	0.7	2.9	1.1	0.7	0.1	1.3	1.8	1.2	0.9	1.1
Importweighted krone exchange rate (44 countries) ⁷	-8.5	1.3	3.0	-3.9	0.7	-1.8	0.0	3.3	-3.7	-2.4	-0.5	-0.8	0.3	1.3
NOK per euro (level)	7.5	8.0	8.4	8.0	8.1	8.0	8.2	8.7	8.0	7.8	7.5	7.4	7.4	7.6
Current account														
Current balance (bill. NOK)	192.3	195.2	220.6	314.5	357.7	287.4	408.3	254.5	313.6	395.9	422.9	332.1	293.6	307.5
Current balance (per cent of GDP)	13.2	12.3	12.6	16.1	16.4	12.5	16.0	9.7	12.4	14.6	14.6	11.2	9.5	9.4
International indicators														
Exports markets indicator	2.3	2.8	7.7	7.1	9.6	5.6	1.2	-10.6	11.0	5.5	1.5	2.5	4.1	5.4
Consumer price index, euro-area	2.2	2.1	2.1	2.2	2.2	2.2	3.3	0.3	1.7	2.7	2.1	1.5	1.7	1.9
Money market rate, euro(level)	3.3	2.3	2.1	2.2	3.1	4.3	4.6	1.2	0.8	1.4	0.7	0.8	1.4	2.5
Crude oil price NOK (level) ⁸	198	201	255	356	423	422	536	388	484	621	613	545	554	578

¹ Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in mainland Norway.

² Change in stockbuilding. Per cent of GDP. ³ According to Statistics Norway's labour force survey(LFS). Break in data series in 2006.

⁴ CPI adjusted for tax changes and excluding energy products. ⁵ Break in data series in 2004. ⁶ Yearly average. Lending rate, banks until 2006.

⁷ Increasing index implies depreciation. ⁸ Average spot price Brent Blend.

Source: Statistics Norway. The cut-off date for information was 5 June.