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Economic Survey

2021 / 1

Economic developments in Norway

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Economic developments in Norway

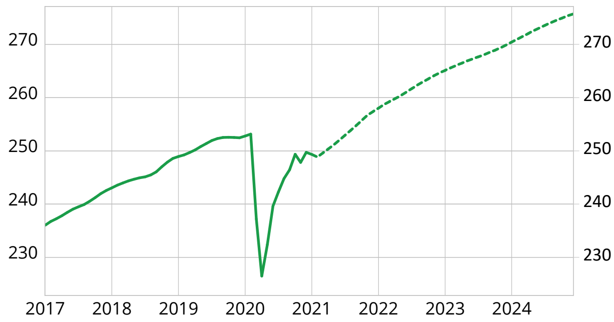
The spread of the COVID-19 virus and infection control measures continue to mark economic developments in Norway. The first lockdown in March 2020 led to mainland GDP falling by around 11 per cent from February to April last year, according to the monthly national accounts. However, activity picked up appreciably towards the summer of last year, and the recovery continued through much of the autumn. The second round of radical infection control measures was introduced in November. The measures were stepped up through January 2021 in the wake of a wave of rising infection, both in Norway and globally. The activity level in January 2021 was 1.5 per cent lower than in February

Table 1. Main macroeconomic aggregates. Accounts figures. Change from previous period. Per cent

	2019	2020	Seasonally adjusted			
			20:1	20:2	20:3	20:4
Demand and output						
Consumption in households etc.	1.4	-7.6	-4.3	-10.6	9.3	-0.0
General government consumption	1.9	1.7	0.3	-2.1	2.9	2.8
Gross fixed investment	4.8	-3.9	-3.9	-1.9	-0.8	0.9
Extraction and transport via pipelines	12.6	-4.9	-5.5	-5.5	-3.2	0.1
Mainland Norway	4.0	-3.9	-4.1	-0.0	-1.0	1.1
Final domestic demand from Mainland Norway[1]	2.1	-4.2	-3.0	-5.8	5.0	1.0
Exports	0.5	-0.9	-1.7	-7.3	4.4	1.8
Traditional goods	4.6	-2.3	-2.6	-7.8	8.4	3.9
Crude oil and natural gas	-4.3	9.5	-2.5	2.0	2.0	0.5
Imports	4.7	-12.2	-3.5	-17.1	10.5	0.3
Traditional goods	5.7	-2.5	-2.4	-7.2	12.7	1.8
Gross domestic product	0.9	-0.8	-1.4	-4.6	4.5	0.6
Mainland Norway	2.3	-2.5	-2.0	-5.9	5.0	1.9
Labour market						
Total hours worked. Mainland Norway	1.8	-2.2	-2.0	-4.7	3.5	1.9
Employed persons	1.6	-1.3	0.2	-2.7	0.0	0.7
Labour force[2]	1.0	0.4	0.0	-0.8	0.7	0.4
Unemployment rate. level[2]	3.7	4.6	3.5	4.6	5.3	5.0
Prices and wages						
Annual earings	3.5	3.1	..	..	..	..
Consumer price index (CPI)[3]	2.2	1.3	0.1	0.4	0.6	0.1
CPI adjusted for tax changes and excluding energy products (CPI-ATE)[3]	2.2	3.0	0.9	1.1	1.0	0.1
Export prices. traditional goods	0.7	-3.5	0.4	-4.3	-4.1	0.9
Import prices. traditional goods	2.5	4.1	1.3	3.4	-2.2	-0.1
Balance of payment						
Current balance. bill. NOK[4]	102	66	45	-3	14	9
Memorandum items (unadjusted level)						
Money market rate (3 month NIBOR)	1.1	0.4	1.3	0.1	0.0	0.0
Lending rate. credit loans[5]	0.8	0.6	3.3	2.7	2.1	2.1
Crude oil price NOK[6]	564	407	484	336	396	408
Importweighted krone exchange rate. 44 countries. 1995=100	107.6	114.9	114.1	118.5	113.3	114.1
NOK per euro	9.85	10.72	10.47	11.01	10.67	10.76

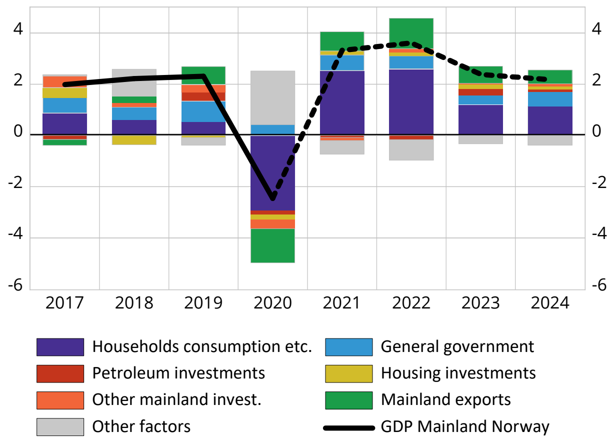
[1] Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.
[2] According to Statistics Norway›s labour force survey (LFS).
[3] Percentage change from the same period the previous year.
[4] Current account not adjusted for saving in pension funds.
[5] Period averages.
[6] Average spot price. Brent Blend.
Source: Statistics Norway and Norges Bank.

Figure 1. Gross domestic product Mainland Norway
Seasonally adjusted and smoothed, billion 2018 NOK, month



Source: Statistics Norway

Figure 2. Contributions to growth in GDP Mainland Norway, import adjusted
Change from previous year in percent



Source: Statistics Norway

Etterspørselsbidragene er regnet ut ved å finne endringen i hver variabel, trekke ut den direkte og indirekte importandelen, og deretter dele på nivået til BNP Fastlands-Norge i perioden før. (Metoden som brukes er dokumentert i Konjunkturtendensene 2019/1 boks 2.4). Alle tall er sesongjusterte og i faste priser.

Fastlandseksport er definert som samlet eksport minus eksport av råolje, naturgass og frakttjenester i utenriks sjøfart.

Andre faktorer inkluderer lagerendring og statistiske avvik.

2020.[1] At the beginning of March this year, over 7 per cent of the population had received at least one dose of vaccine. According to the Norwegian Institute of Public Health, the pace of vaccination will increase substantially in the months ahead, and relaxation of the infection control measures may be possible, probably in the course of May. Our projections are based on the assumption of a marked increase of activity in the summer, once large sections of the population have been vaccinated and the infection pressure has abated.

Fiscal policy has contributed to reducing the negative impact of the pandemic on the Norwegian economy. In 2020 the Storting adopted a number of economic measures and temporary regulatory changes to compensate for loss of household and business income. These measures have substantially increased spending over the government budget. The total amount spent on COVID-related economic measures in 2020 was a whole NOK 131 billion. According to the fiscal rule, the use of petroleum revenue over time is to be equivalent to 3 per cent of the value of the Government Pension Fund Global (GPFG), but strong emphasis is also to be placed on smoothing fluctuations in the economy, to ensure good capacity utilisation and low unemployment, as was done in 2020. In the Final Budget Bill for 2020, the structural, non-oil budget deficit for 2020 is estimated to be NOK 392.5 billion. This is equivalent to approximately 3.9 per cent of the market value of the GPFG at the beginning of the year. COVID-19 measures adopted or proposed for 2021 amount to NOK 65.3 billion. These measures will bring the budget balance, measured by the budget deficit as a share of the GPFG, to 3.3 per cent. In 2022 and 2023 the budget balance is expected to be reduced to approximately 3 per cent of the value of the GPFG.

The household consumption pattern changed substantially during the pandemic. Consumption of services, in particular, was sharply reduced, while after falling in response to the outbreak of the pandemic, most goods consumption quickly rebounded, and grew strongly through the last three quarters of 2020. Overall consumption as an annual average for 2020 fell by as much as 7.6 per cent, however. This is the largest fall in consumption since the time series began in 1970, and historical figures indicate that similar changes have not been seen since the end of World War II. Further growth in consumption of services is expected in the period ahead, in pace with the easing of infection control measures. Nevertheless, overall consumption is only expected to return to the level before the COVID crisis impacted the Norwegian economy towards the end of 2021 or in early 2022. With prospects of growth in real disposable income and real house prices, and hence also

[1] The figures presented in this report are from the preliminary national accounts for 2020, which were published on 12 February 2021. The monthly national accounts for January 2021 were published on 9 March, and monthly figures were then revised. Further details are provided in Box 3.2 in Konjunkturtendensene 2021/1 (Norwegian text).

Table 2. Growth in GDP Mainland Norway and contributions from demand components[1]. Percentage points. Annual rate

	QNA				Projection			
	2017	2018	2019	2020	2021	2022	2023	2024
GDP Mainland Norway	2.0	2.2	2.3	-2.5	3.3	3.6	2.4	2.2
with contributions from:								
Consumption by households and non-profit organisations	0.9	0.6	0.5	-2.9	2.5	2.6	1.2	1.1
General government consumption and investment	0.6	0.5	0.8	0.4	0.6	0.5	0.4	0.6
Petroleum investment	-0.2	0.0	0.3	-0.1	-0.1	-0.2	0.3	0.1
Housing investment	0.4	-0.4	-0.1	-0.2	0.2	0.1	0.2	0.1
Other mainland investment	0.5	0.2	0.3	-0.3	-0.1	0.1	0.0	0.1
Exports from mainland Norway	-0.2	0.3	0.7	-1.3	0.8	1.2	0.7	0.5
Other factors etc.	0.1	1.1	-0.3	2.1	-0.5	-0.8	-0.3	-0.4

[1] See explanation under Figure 2.
Source: Statistics Norway.

in real wealth, consumption is forecast to grow by around 3 per cent as an annual average in the last two years of the projection period.

Following a 4.2 per cent fall in overall investment in 2020, the fall in petroleum investment will gradually reverse into an upturn. Oil companies report lower investment activity also in 2021, but the decline is now considerably smaller than previously reported. Moreover, new plans for development and operation (PDOs) will be submitted which are not included in the oil companies' figures. We project an approximately 3 per cent fall in investment this year, and 6 per cent in 2022. The package of tax measures adopted by the Storting in June last year is likely to contribute to increased activity in the following years. Petroleum investment is expected to rise by around 10 per cent in 2023, when overall demand from mainland-oriented petroleum investment is expected to push up mainland GDP growth by 0.3 percentage point (see Table 2)[2]. Given these developments, the investment level in 2024 will be approximately in line with the level before the COVID crisis impacted the Norwegian economy, but still more than 20 per cent lower than the investment peak in 2013. In line with market expectations, we assume that the oil price will gradually fall from the current level of around USD 68 to around USD 57 towards the end of 2024.

Moderate developments in business investment are likely. Investment through 2020 was strongly marked by uncertainty engendered by the COVID pandemic, both here in Norway and among our trading partners. Several businesses cut their investment plans and investment fell substantially through early 2020. Both manufacturing and power supply businesses report reduced investment this year again. Service industries have been hit particularly hard by the COVID-19 pandemic. Business willingness to invest has reflected great uncertainty about the economic outlook and lack of funding as a result of poor liquidity, particularly in industries such as travel and tourism and cultural activities. On balance, we forecast that business investment will fall by around 2 per cent this year, and will rise in subsequent years in pace with the post-pandemic recovery. According to our projections, investment growth will be about 3 per cent in 2022 and somewhat lower in 2023 and 2024.

The rise in house prices has been generally high for the past 10 months, increasing by 11 per cent from April 2020 to February 2021 according to the house price statistics of Real Estate Norway. The fact that the key policy rate was reduced to 0 per cent last year, coupled with Norges Bank's signals that the key rate would remain at this low level for an extended period, has probably contributed to the strong rise in prices. The record-high saving ratio with associated liquidity may also have contributed to a higher rise in house prices in recent months. We forecast that house prices will rise by around 9 per cent as an annual average in 2021, but price movements going forward are shrouded in uncertainty. House price movements are largely determined by developments in income, debt, the population, the housing supply and real interest rates. Regulatory measures through the Mortgage Regulations also play a crucial part. A moderate increase in mortgage rates in the near future is

[2] This report is an abridged version of Chapter 2 of the Norwegian report Konjunkturtendensene med økonomisk utsyn over året 2020. The numbering has been simplified, so that Figur 2.1 corresponds to Figure 1, Tabell 2.2 corresponds to Table 2, etc., but not all tables and figures are included in the English report.

Table 3. Main economic indicators 2020-2024. Accounts and forecasts. Percentage change from previous year unless otherwise noted

	Acco-unts 2020	Forecasts										
		2021			2022			2023			2024	
		SN	NB	MoF	SN	NB	MoF	SN	NB	MoF	SN	NB
Demand and output												
Consumption in households etc.	-7.6	6.9	5.9	7.8	6.9	7.5	..	3.1	3.1	..	2.9	..
General government consumption	1.7	2.1	3.4	1.1	1.7	0.2	..	1.2	0.2	..	2.0	..
Gross fixed investment	-3.9	-0.2	..	1.0	0.8	..	..	3.1	..	..	2.2	..
Extraction and transport via pipelines	-4.9	-3.0	-6.0	-11.5	-6.0	-4.0	..	10.0	10.0	..	4.0	..
Industries	-6.3	-2.2	-6.3	5.4	2.8	5.4	..	0.7	4.3	..	1.9	..
Housing	-4.0	3.2	4.7	4.9	2.9	3.8	..	3.7	2.3	..	2.4	..
General government	-0.3	1.1	..	1.1	1.1	..	..	1.1	..	..	1.1	
Demand from Mainland Norway[1]	-4.2	4.0	3.7	5.7	4.4	4.5	..	2.3	2.2	..	2.4	..
Exports	-0.9	3.3	..	4.3	6.7	..	..	4.1	..	..	2.1	
Traditional goods[2]	-2.3	4.8	3.8	3.5	3.6	5.6	..	2.7	3.6	..	2.2	..
Crude oil and natural gas	9.5	2.6	..	6.3	5.8	..	..	4.1	..	..	0.9	..
Imports	-12.2	5.0	5.1	4.7	6.9	7.9	..	4.1	4.8	..	3.5	..
Gross domestic product	-0.8	3.0	4.0	4.5	3.9	3.1	..	2.6	1.6	..	1.9	..
Mainland Norway	-2.5	3.3	3.7	4.4	3.6	3.1	..	2.4	1.5	..	2.2	..
Labour market												
Employed persons	-1.3	0.9	0.3	0.6	1.2	1.8	..	1.0	0.9	..	1.1	..
Unemployment rate (level)	4.6	4.5	3.5	4.4	4.2	3.6	..	4.0	..	..	3.8	..
Prices and wages												
Annual earnings	3.1	2.6	2.0	2.2	3.1	2.3	..	3.3	2.8	..	3.5	..
Consumer price index (CPI)	1.3	2.7	2.2	3.5	1.8	2.0	..	1.9	1.7	..	2.1	..
CPI-ATE[3]	3.0	2.1	2.1	2.2	1.7	1.4	..	2.0	1.5	..	1.9	..
Housing prices[4]	3.9	9.2	3.3	..	3.5	3.4	..	2.8	..	..	2.5	..
Balance of payment												
Current balance (bill. NOK)[5]	66	329	..	125	416	..	..	450	..	..	421	..
Current account (per cent of GDP)	1.9	8.6	..	3.4	10.2	..	..	10.5	..	..	9.5	..
Memorandum items:												
Money market rate (level)	2.8	0.5	..	0.4	1.1	..	..	1.6	..	..	1.8	..
Crude oil price NOK (level)[6]	407	558	..	424	528	..	..	503	..	..	488	..
Import weighted krone exchange rate (44 countries)[7]	6.7	-5.5	-2.8	-2.4	-0.2	-0.6	..	0.0	-0.4	..	0.0	..

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

[2] Norges Bank forecasts exports of traditional goods and services from Mainland Norway. Ministry of Finance forecasts exports of goods exclusive of oil and natural gas.

[3] CPI adjusted for tax changes and excluding energy products (CPI-ATE).

[4] Norges Bank forecasts the housing price index published by Eiendom Norge.

[5] Current account not adjusted for saving in pension funds.

[6] Average spot price. Brent Blend.

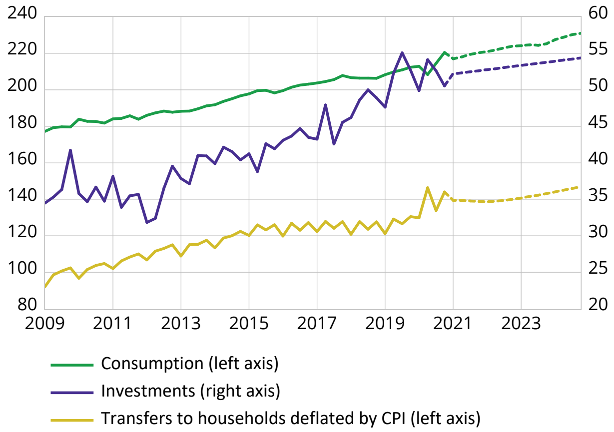
[7] Increasing index implies depreciation. Ministry of Finance forecasts trade-weighted exchange rate.

Source: Statistics Norway (SN). Ministry of Finance. Meld.St.1. (2020-2021) (MoF). Norges Bank. Pengepolitisk rapport 4/2020 (NB).

likely to curb the rise in house prices, but they are expected to continue rising nonetheless throughout the projection period. The high house prices make residential construction more profitable. After falling for several years, housing investment is expected to increase up to 2024 by 2 to 4 per cent annually. Given these developments, the level of housing investment in 2024 will be roughly in line with the peak in 2017.

Norges Bank reacted to the crisis by reducing the interest rate. In March 2020 the key rate was cut from 1.5 to 0.25 per cent, in two stages, and in May it was reduced to 0 per cent. In connection with the last cut the central bank signalled that the interest rate would remain unchanged for several years to come. Norges Bank is currently facing difficult choices. On the one hand, economic developments point to the interest rate being kept at the current level for a good while to come. On the

Figure 3. General government
Seasonally adjusted, billion 2018 NOK, quarter



Source: Statistics Norway

other, the low level prompts an increase in house prices, which in turn may provide fertile soil for the development of financial vulnerabilities and imbalances. We assume that the policy rate will be raised by 0.25 per cent in the last half of 2021, and thereafter gradually to more normal levels. At the end of 2024, the policy rate is expected to be 1.5 per cent. This rise is a little larger than is expected internationally.

The krone depreciated sharply in the first three weeks of March last year, and Norges Bank intervened with support purchases of Norwegian kroner. The depreciation has largely been reversed subsequently, but the krone is still weak viewed in a historical perspective. At the beginning of March this year a euro cost NOK 10.2, whereas for a few days in March a year ago it cost more than NOK 12. We assume that the krone will remain at the level in early March this year for the remainder of the projection period.

Underlying inflation seems to be slowing. Last year underlying inflation was 3.0 per cent, measured by the CPI-ATE, and it had thus risen by 0.8 percentage point from the level in 2019. The depreciation of the krone and subsequent increase in prices for imported goods contributed to the rise. This year, however, the strengthening of the krone through much of last year will lead to CPI-ATE inflation falling towards the inflation target of 2 per cent. Moderate wage growth and increased productivity growth will also contribute to this. Our projections show CPI inflation of 2.7 per cent this year. Whereas tax changes are expected to push down CPI inflation by around 0.4 percentage point, rising energy prices will probably push inflation up by about 1.0 percentage point. In the years to 2024, inflation measured by both the CPI and the CPI-ATE is expected to be around 2.0 per cent.

Real wages are likely to remain roughly unchanged this year. Nominal annual wage growth has been rising in recent years, from 1.7 per cent in 2016 to 3.5 per cent in 2019. Annual wage growth in the crisis year of 2020 was surprisingly high at 3.1 per cent, which must be viewed in light of high Q4 wage growth and structural changes as a consequence of the pandemic (see Box 4). This year annual wage growth is expected to be around 2.6 per cent, but assuming roughly the same level of inflation, real wages are likely to remain unchanged. Real wages are expected to pick up in 2023 and 2024 to just over 1 per cent, in pace with the recovery of the Norwegian and global economies. Given this development, the wage share in manufacturing in 2024 will be approximately on a level with the average for the past 40 years.

Unemployment has been at a very high level in recent months, and in 2020 Q4 was measured by the Labour Force Survey as 4.8 per cent. It is the industries that have been directly affected by infection control measures that have borne the brunt of the decline in employment: accommodation and food services, along with culture, entertainment and other services. Although unemployment is unlikely to fall much in the next few months, we expect the labour market situation to improve when economic activity picks up after the summer of 2021. Most furloughed employees will be able to return to their previous jobs, unlike many who became unemployed in other severe economic contractions. According to our projections, unemployment will be 4.5 per cent in 2021, before gradually falling to just under 4 per cent in 2024. By way of comparison, unemployment has averaged 3.7 per cent so far in the 2000s. The share of the population in employment is expected to rise from the current level of around 66.5 per cent, to just over 68 per cent in 2024.

The wave of infection this winter has again led to a sharp reduction in many spheres of economic activity. However, there is a light at the end of the tunnel. A large proportion of the population is likely to be vaccinated before the summer, and it will then be possible to ease many infection control measures. Economic activity will then pick up markedly from the summer. The repercussions of the infection control measures will nonetheless set their stamp on the Norwegian economy for a long time to come, and only towards the end of the projection period will unemployment have reverted to what we regard as a more normal level.

There is great uncertainty surrounding near-term economic developments. We have assumed that it will be possible to relax many measures from the summer onwards, but this is contingent on the vaccination programme succeeding in keeping COVID infections under control, including mutated variants of the virus. There is also uncertainty as to how far people will continue in practice to comply with the radical infection control measures. If it is necessary to maintain the radical measures through the summer of this year, the economic slowdown will last longer than shown now by our projections.

Continued high spending of petroleum revenue

General government spending increased by 2.8 per cent in 2020. Growth was constrained by lower health sector activity in Q2 due to a reduction in treatment of patients with diseases other than COVID-19. On the other hand, the reclassification of the licence for the Norwegian Broadcasting Corporation (NRK) pushed up consumption. Local government spending rose by 0.8 per cent in 2020. The period when schools and day-care centres were closed pushed down municipal consumption. General government investment dipped 0.3 per cent in 2020. Central government investment fell by 0.4 per cent, depressed largely by somewhat lower investment in public administration. Investment at municipal and county administrative level was on a par with 2019. Developments in 2020 were depressed by reduced investment in roads. A number of tax changes were introduced for 2021. The details are presented in the section on energy prices below. The projection scenario is based on the assumptions that other taxes are adjusted for inflation, and that tax rates remain unchanged while earnings-based tax thresholds rise with wages.

The last part of 2020 and the first part of 2021 were marked by the second wave of infection in Norway. The national infection control measures were intensified at the beginning of 2021, and stringent rules were introduced for arrivals from abroad to prevent the spread of mutated variants of the virus, which have later been found in several municipalities. These municipalities were locked down to control the outbreaks. On 6 January it was proposed that the compensation scheme for businesses be extended to the end of April 2021. The Government then proposed on 29 January that the support level be raised to 85 per cent of fixed unavoidable costs, and that support be extended to the end of June. It was proposed extending the furlough scheme until 1 June, while the opposition has proposed extending it to 1 October. The purpose of the schemes is to curb the loss of income of those affected, and to prevent a long-term negative impact on the economy.

In Prop. 79 S (2020–2021), on 29 January 2021, the government proposed measures amounting to a total of NOK 16.3 billion. The measures came on top of the budget for 2021, which already contained extensive economic measures to cope with

Table 4 Coronavirus measures for 2021, adopted or proposed. Billions of NOK

	Appropriation 2021
Measures for businesses	27,5
General compensation scheme	10,1
Aviation	5,9
Culture, sport and the voluntary sector	3,1
Travel and tourism	1,7
Maritime sector	0,6
National Insurance Scheme	1,9
Business sector restructuring	1,9
Other measures	2,2
Measures for households	10,7
National Insurance Scheme	4,1
Training and skills	5,6
Inclusion and integration	0,4
Vulnerable groups	0,5
Other measures for households	0,1
Critical societal responsibilities	27,1
Local government sector	11,8
Health sector	11,7
Public transport	0,9
Other measures for critical societal responsibilities	2,6
Total economic measures	**65,3**

Source: Prop. 79 S (2020-2021), published 29 January.

the pandemic. With these measures, spending of petroleum revenue, measured by the structural, non-oil budget deficit, was projected to be approximately NOK 363 billion in 2021, almost NOK 50 billion more than in the draft national budget in October last year. This deficit is equivalent to 3.3 per cent of the value of the Government Pension Fund Global at the beginning of this year. In 2022 and 2023 spending of petroleum revenue, measured in terms of the structural non-oil deficit as a share of the GPFG, is expected to be reduced to about 3 per cent.

Experience of the epidemic so far shows that outbreaks of infection influence behaviour and infection control measures, which then trigger support schemes for households and businesses, which in turn increase the budget deficit. Uncertainty about new virus variants and vaccination is therefore creating uncertainty about the 2021 budget deficit. However, experience from 2020 Q4 and so far in 2021 indicates that the virus can be held in check by social distancing and local lockdowns. Experience of vaccination in countries where a high share of the population have been vaccinated is also very good (see Box 1.1 in Konjunkturtendensene

Box 1. The import-weighted krone exchange rate and the trade-weighted exchange rate index

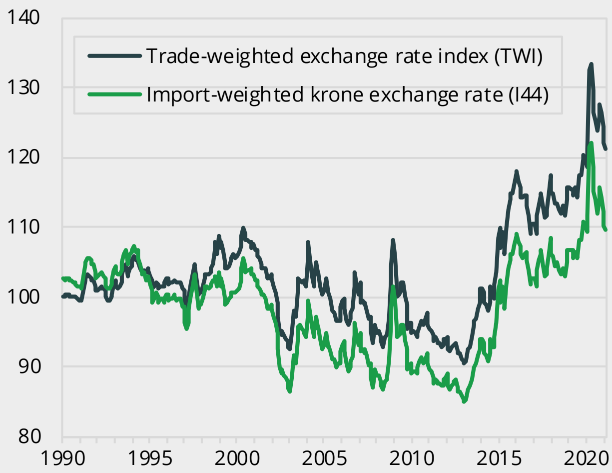
Approximately 60 per cent of Norway's foreign trade in traditional goods takes place with countries that are not in the EU monetary union. Traditional goods are exports and imports of goods excluding oil, gas, ships and platforms. The krone exchange rate as measured against the euro accordingly provides limited information about the international value of the Norwegian krone. It is therefore important to supplement with alternative exchange rate indicators that provide a more accurate expression of the breadth of Norway's trading pattern. Examples of these are the trade-weighted exchange rate index (TWI) and the import-weighted krone exchange rate (I44).

The trade-weighted exchange rate index is calculated from the exchange rates of the Norwegian krone against the currencies of Norway's 25 most important trading partners, and is a geometrical average based on OECD current trade weights. The weights in the import-weighted krone exchange rate are calculated on the basis of the composition of imports of traditional goods from Norway's 44 most important trading partners. Both indices are structured in such a way that high values mean a weak krone and low values a strong krone.

The figure shows on both indices that the krone was consistently considerably weaker in the 1990s than from early in the 2000s and up to 2013. The krone was record-strong in early 2013, and then depreciated markedly, partly as a result of the decline in the petroleum industry. However, the paths of the two indices do not quite coincide. For example, in January 2013 the krone measured by the import-weighted exchange rate was around 20 per cent stronger than the average for the 1990s, whereas according to the trade-weighted index it was only 13 per cent stronger. This reflects the fact that the two indices are constructed for somewhat different purposes. The weights in the trade-weighted exchange rate index are intended to reflect the competitiveness of Norwegian manufacturing in both the export and the domestic market, and not merely to have relevance for the domestic market and Norwegian prices. The different paths are due to the fact that the krone strengthened considerably more in relation to countries from which Norway has substantial imports than in relation to countries to which it has substantial exports. The international purchasing power of the krone was accordingly strengthened more than the international competitiveness of Norwegian manufacturing, viewed in isolation, was weakened by the exchange rates. This trend was particularly pronounced from 1993 to 2004.

In recent years the two indices have nonetheless provided a somewhat similar picture of the krone's movements. From January 2013 to April 2020, currencies in the imported exchange rate index strengthened by 44 per cent, which corresponds to the krone depreciating by 30 per cent. Measured by the trade-weighted exchange rate index, the krone weakened a little more in the same period, by almost 32 per cent. From April 2020 to February 2021, the krone appreciated by 11 per cent measured by the import-weighted exchange rate and by 10 per cent measured by the trade-weighted exchange rate index.

The import-weighted krone exchange rate (I44) and trade-weighted exchange rate index (TWI). 1995=100



Source: Statistics Norway.

2021/1 (Norwegian text)), and Norway has secured extensive deliveries of the Pfizer, AstraZeneca and Moderna vaccines. We assume in our projections that the economic measures will be maintained until summer 2021. The adopted and proposed measures in Prop. 79 S (2020–2021) therefore provide a good picture of measures in our projection scenario; see Table 4.

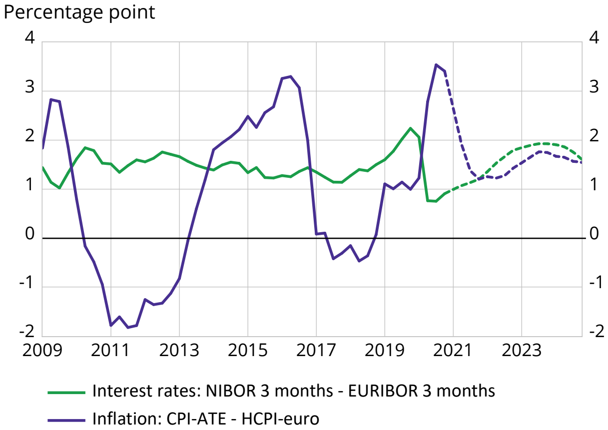
Growth in general government activity is expected to normalise in the course of the projection scenario. We project growth in general government consumption and gross investment of 2.1 and 1.1 per cent, respectively, in 2021. The growth projections for the period 2022–2024 are based on extrapolation of previous projections. Transfers are expected to increase by 0.4 per cent in real terms in 2021. Labour market-related transfers will be gradually reduced while pension disbursements will increase in the long term.

Gradual interest rate increases in the offing

In the course of less than two months in spring 2020, Norges Bank lowered the key policy rate by a total of 1.5 percentage points, to 0 per cent. The money market rate shadowed the key rate, falling to around 0.25 per cent at the lowest in autumn 2020. Since then the money market rate has increased somewhat, and at the end of February this year was about 0.45 per cent. Deposit and lending rates are also at record low levels. At the end of 2020, the average interest rate on loans secured on dwellings was 2.06 per cent, while the average deposit rate was 0.41 per cent.

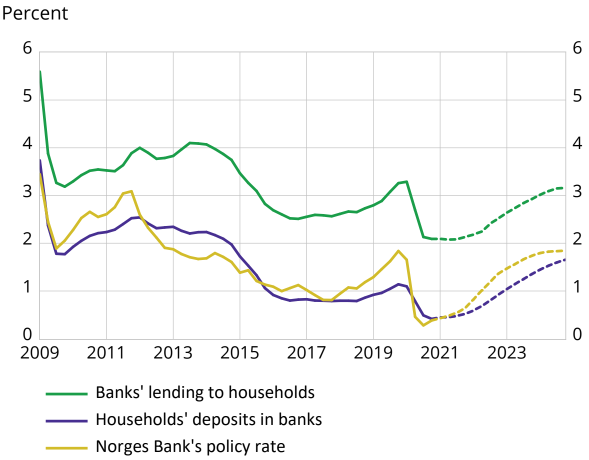
The krone depreciated sharply in March 2020. This weakening has since reversed, and measured in terms of the import-weighted krone exchange rate, the krone is worth the same at the beginning of 2021 as it was one year earlier. At the end of February this year, a euro cost NOK 10.40, the same as one year previously. During the same period the US dollar has weakened, from about NOK 9.50 per dollar at the end of February 2020 to NOK 8.60 per dollar one year later. At the beginning of March the krone had strengthened further against the euro, and in our projections we have maintained the most recently observed euro/krone exchange rate of about 10.20.

Figure 4. Interest rate and inflation differential between NOK and euro



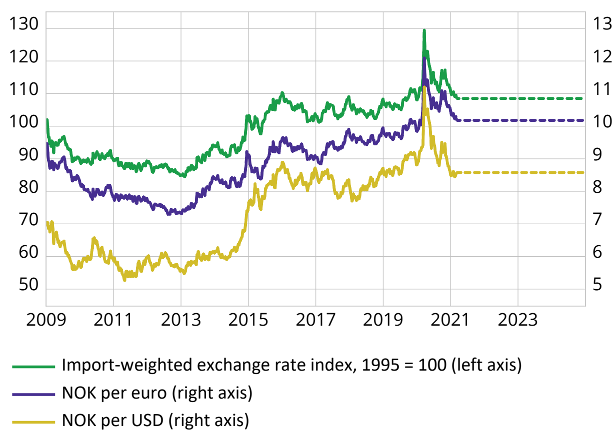
Source: Norges Bank and Statistics Norway

Figure 5. Norwegian interest rates



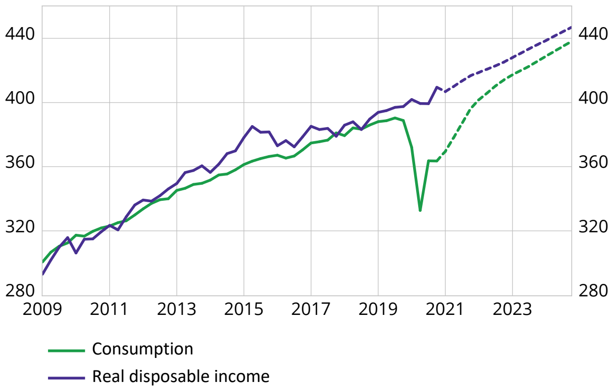
Source: Norges Bank and Statistics Norway

Figure 6. Exchange rates



Source: Norges Bank

Figure 7. Income and consumption in households
Seasonally adjusted, billion 2018 NOK, quarter



Source: Statistics Norway

In connection with the most recent interest rate cut, in May 2020, Norges Bank signalled that the interest rate would remain unchanged for several years to come. In subsequent editions of its Monetary Policy Report, the most recent being from December 2020, Norges Bank foresaw a cautious rise in the interest rate from the first half of 2022. At its monetary policy meeting in January this year, Norges Bank's Monetary Policy and Financial Stability Committee writes that the uncertainty indicates "keeping the policy rate on hold until there are clear signs that economic conditions are normalising."

In earlier projections we foresaw an interest rate hike in the middle of 2021. We have assumed GDP growth this year at approximately the same level as forecast by Norges Bank, while we have had a more optimistic view of employment growth for this year. If large swathes of the adult population are vaccinated in the course of the summer, there are clear signs of an upswing in economic activity and most of those furloughed quickly get back into work, it may lead to Norges Bank raising the policy rate at the monetary policy meeting at the end of September already. But vaccination may take longer, and new mutations of the virus may result in a more gradual normalisation of the economy, which may mean a later interest rate hike. We believe nonetheless that the interest rate will be raised this year, and by the December meeting at the latest. We are assuming a further three increases in 2022, bringing the policy rate to 1.0 per cent by the end of 2022. The interest rate increases will probably continue in the following years, with the policy rate reaching 1.5 per cent by the end of 2024.

Consumption is picking up further

Growth in real disposable income for households and non-profit organisations combined is estimated in the non-financial sector accounts to be 1.7 per cent in 2020. By way of comparison, average annual growth was around 2.7 per cent in the decade from 2010 to 2019. Growth in real disposable income excluding share dividend disbursements, which fell sharply through last year, was 3.3 per cent.

As a consequence of the COVID pandemic, households experienced major changes in the composition of their income and expenses. Wage income, the most important source of household income, made large positive contributions to growth in real disposable income in the decade prior to 2020, with the exception of 2016. Last year, however, the contribution from wage income was negative, as employment fell sharply due to infection control measures and the closure at times of parts of the business sector. The contribution of public transfers to growth, on the other hand, was almost 3 percentage points as a consequence of record disbursements to a large number of furloughed and unemployed workers. The contribution of public transfers to growth has not exceeded 2 percentage points since 2009. With record-low lending rates in the wake of a policy rate of zero, net interest expenses also made a clear positive contribution to growth in real income last year, after small contributions the three preceding years. The household interest burden, i.e. interest expenses in relation to disposable income, accordingly fell from 5.5 per cent in 2019 to 4.7 per cent in 2020.

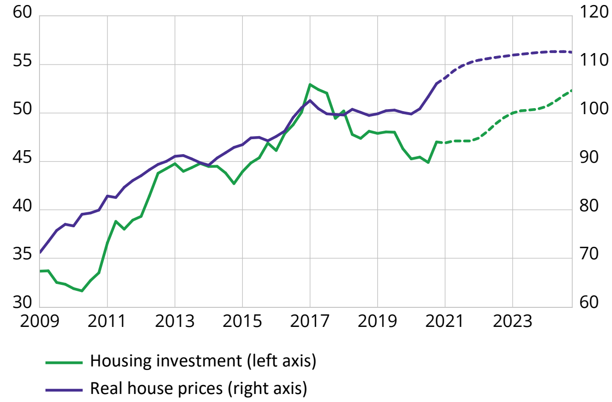
The consumption pattern of households and non-profit organisations also changed considerably during the pandemic. Infection control measures and fear of infection placed constraints on the goods and services that could be consumed through 2020. Consumption of services, in particular, was hard hit as several service industries, including leisure services, passenger transport and hotel and restaurant services, had to shut down or restrict their operations through parts of the year to reduce the risk of infection. Foreign travel was also restricted, and cross-border trade virtually came to a halt last year. While goods consumption rebounded rapidly after a fall in connection with the outbreak of the pandemic and grew strongly through the last three quarters of 2020, services consumption fell substantially more through the first half of the year than it recouped in the second half. According to the quarterly national accounts, goods consumption grew by 5.5 per cent as an annual average last year, while services consumption fell by almost 12 per cent. These developments in consumption of goods and services, coupled with the fall in Norwegians' consumption abroad, resulted in a fall in overall consumption of as much as 7.6 per cent as an annual average last year. This is the largest fall in combined consumption since the time series for this macroeconomic variable began in 1970, and historical figures indicate that similar changes have not been seen since World War II.

Since combined income remained at a high level and consumption fell sharply during the pandemic, the saving ratio, measured as saving as a share of disposable income including share dividend disbursements, rose from 7.6 per cent in 2019 to 15.5 per cent in 2020. Such a high annual saving ratio has not previously been recorded in the non-financial sector accounts. The saving ratio excluding share dividend disbursements increased from 2.9 per cent to 12.5 per cent in the same period.

In our projections for the years 2021 to 2024 we foresee that growth in real disposable income excluding share dividend disbursements will lie at around 2.5 per cent, i.e. somewhat lower than last year. Wage income will pick up in nominal terms in pace with a gradual normalisation of the Norwegian economy, and again make large positive contributions to growth in real disposable income. Conversely, public transfers will contribute far more modestly to growth in the near term, as the furlough schemes are gradually unwound and unemployment falls to a more normal level of around 4 per cent. Net interest expenses will also curb growth in real income in the years 2022–2024 when the mortgage rates faced by households rise in pace with the increasing policy rate. The level of the household interest burden will therefore approach 6 per cent by the end of the projection period. This is about half a percentage point higher than the average annual level of the interest burden in the period from 2010 to 2019.

We assume, as in our previous economic report, that total consumption towards the end of 2021 or at the beginning 2022 will be at the same level as before the pandemic as a consequence of vaccination, gradual reopening of businesses and pent-up household demand. With prospects of growth in real disposable income and real house prices, and hence also in real wealth, consumption is forecast to grow by over 4 per cent as an annual average in the last three years of the projection period.

Figure 8. Housing market
Seasonally adjusted. Left axis: billion 2018 NOK, quarter
Right axis: index, 2018 = 100



Source: Statistics Norway

According to our income and consumption projections, the saving ratio will fall to around 12 per cent as an annual average this year and further to around 8.5 per cent in 2024, which will be about 1.5 percentage points higher than the average saving ratio for the years 2010 to 2019. The saving ratio excluding share dividend disbursements will fall to around 5 per cent by the end of the projection period.

Strong rise in house prices

According to Statistics Norway's seasonally adjusted price index, house prices rose by 2.7 per cent in Q4 last year, following similarly strong growth in Q3. Despite the fact that much of last year bore the mark of the pandemic, prices for the year as a whole rose by 3.9 per cent compared with 2019.

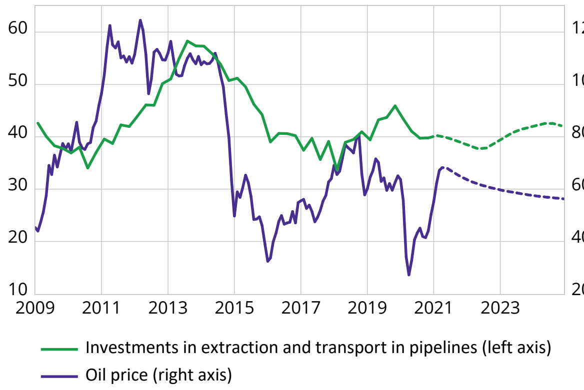
The strong rise in house prices is confirmed by the monthly price statistics from Real Estate Norway. House prices fell somewhat in March last year, but the average monthly rise in the period May 2020 to February this year was 1.1 per cent, equivalent to an underlying annual rise of close to 14 per cent. The monthly rise in January this year was actually less than this, but in February was as much as 1.3 per cent. The rise in prices in Oslo has been even stronger. The sharp rise in house prices indicates that the low mortgage rates tend to overshadow other factors, such as moderate income growth and weak population growth. The record high, partly compulsory saving resulting from the pandemic may also have added impetus to house prices.

Activity in the housing market, measured in terms of number of resale homes sold, was also unusually high through the second half of last year, and the number of resale homes for sale is now unusually low. This may contribute to continued pressure on prices going forward. In parallel with this, sales of new dwellings were weak through much of last year, but picked up right at the end of the year. It would appear nonetheless that parts of the buyer population shifted from the market for new dwellings to the resale homes market. This may be attributable to the great financial uncertainty characterising 2020, which probably reduced the willingness of buyers to bind themselves to contracts scheduled for completion far in the future. It may also be related to a limited supply of new dwellings.

According to the national accounts, housing investment rose by almost 5 per cent in Q4 after falling in both Q1 and Q3, with weak positive growth in Q2. Developments in sales of new dwellings towards the end of 2020, and current housing start figures indicate that housing investment may be starting to gather pace. The strong rise in house prices also makes residential construction more profitable. Our projections now show housing investment rising by around 3 per cent as an annual average this year, and about the same the following years. Given these developments, the level of housing investment in 2024 will be roughly on a par with the peak in 2017.

There is substantial uncertainty associated with house price movements in the near term. In our KVARTS macroeconomic model, there is a reciprocal effect between house prices and the supply of dwellings. Higher housing investment leads to higher growth in the supply of dwellings, which in isolation should slow house price inflation somewhat compared to the current situation. At the same time, other factors point to a continued strong rise in prices. The model contains a reciprocal relationship between house prices and house-

Figure 9. Petroleum investments and oil price
Seasonally adjusted. Left axis: billion 2018 NOK, quarter
Right axis: USD per barrel



Source: Statistics Norway

hold borrowing. The low interest rates encourage increased borrowing, and hence also prompt a rise in house prices, and our figures now indicate that annual debt growth will be around 5 per cent in the projection period. A moderate increase in mortgage rates in the near future may curb borrowing, but the interest rate level will nonetheless remain low, viewed in a historic perspective. The Government also decided to leave the mortgage regulations unchanged from last year, although Finanstilsynet, the Financial Supervisory Authority of Norway, proposed some tightening. We have therefore not assumed any near-term regulatory changes in our model calculations either.

Household income growth will gradually increase in pace with the recovery. On balance, we forecast that house prices will rise by around 9 per cent this year. For subsequent years we assume a gradually slowing rise in house prices, from about 4 per cent in 2022 to about 2 per cent in 2024.

Moderate fall in petroleum investment this year

According to the latest figures in the monthly national accounts, petroleum investment fell by 4.2 per cent in 2020, measured in constant 2018 prices. The decline in investment through the first three quarters of the year turned into a moderate rise in Q4. The slowdown was driven by more sluggish activity, especially in exploration, but also in field development, while higher investment activity in fields in operation, coupled with shutdowns and abandonment acted as a brake on the downturn. Petroleum investment was impacted to a relatively limited extent by the pandemic and infection

Box 2. "Petroleum package"

To maintain the level of investment on the Norwegian continental shelf, the Storting adopted a so-called "petroleum package" in June 2020. This is a temporary and parallel tax scheme which applies to all investment in 2020 and 2021. The measures also apply up to the time of production start for projects with plans submitted to the authorities for approval before 1 January 2023 and approved by 1 January 2024. The project plans are known as PDO/PIO (Norwegian PUD/PAD) – Plan for development and operation of petroleum deposits and Plan for installation and operation of facilities for the transport and utilisation of petroleum. The scheme will also apply to investment associated with small changes in PDOs or covered by applications for exemption from submitting PDO/PIOs.

Petroleum companies are normally granted tax deductions on investments in petroleum fields and pipelines, spread over six years. In addition the companies can deduct extra depreciation of 5.2 per cent of investment from the ordinary tax base each year over a 4-year period (20.8 per cent in all). This so-called uplift is an extra deduction allowed in the special tax base to shield normal returns from the special tax. The rates for corporation tax and special tax are 22 per cent and 56 per cent, respectively. This scheme still applies to all investment taking place prior to 2020.

The tax rates are unchanged in the petroleum package. However, there is a change from six-year linear depreciation of investment costs to full depreciation in the investment year in the special tax base, without the necessity of deducting it from any income. In other words, the oil companies will receive the tax benefit instantly. In addition, uplift is increased from 20.8 per cent over a four-year period to 24 per cent in the investment year. This, too, be received without there necessarily being income for it to be taxed on.

These tax benefits constitute a large share of oil companies' cash flows. Accelerating the tax benefits substantially increases the net present value of these investment-related deductions. At the same time the companies retain the same share of future revenues as before (22 per cent). This challenges the ideal that petroleum special tax should be a neutral addition to corporation tax, as it means that the state covers a considerably larger share of the investment than it takes of the income.

The Ministry of Finance has calculated the net present value of this subsidy to be about NOK 8 billion, by discounting at a nominal risk-free pre-tax interest rate of 2.5 per cent (Ministry of Finance, 2020). If higher risk is assumed, with a discount rate of 10 per cent, the subsidy may be close to NOK 40 billion. But these projections do not include any effects of change in behaviour, which must be assumed to be the purpose of the package. Lund (2020) estimates that the subsidies could be worth many times as much for projects that are carried out as a consequence of this scheme.

The petroleum package implies reduced petroleum tax income for all projects it covers, as in practice the state assumes a higher share of investment costs without receiving a larger share of production income. This also applies to projects that would have been carried out irrespective of this package. If behaviour changes in that developments are accelerated so that they are covered by the scheme, the volume of transfers from the state to the companies involved will increase compared with ordinary petroleum tax. This also applies if the scheme should mean that projects that would have been unprofitable without tax, become profitable and are initiated as a consequence of the petroleum tax package.

The investment projection published in the last investment intentions survey for 2020 in November last year was on approximately the same level as the projection published in the February survey, i.e. immediately before the pandemic. Infection control measures have led to somewhat lower investment, while overruns in some fields have pushed up investment. Both factors would have occurred regardless of the petroleum package, and their combined effect on investment would have been about zero. Thus the oil companies appear to have maintained roughly the investment level they budgeted for before the pandemic struck.

It is unclear what effect the petroleum package has had on oil and gas investment in 2020. In the short term it is demanding for oil companies to exploit the investment incentives provided by the package to increase their activity level beyond what they had planned. Therefore the effect must rather be measured by estimating what cuts the package may have prevented. The oil companies gave notice in March that they would make substantial cuts in investment as a consequence of the steep fall in the oil price. Planned field projects were stopped, and planned exploration activity was reduced. The petroleum package that was adopted quickly got these projects started again, while the cuts in exploration activity were partly maintained. The oil price has moved in a positive directive since bottoming out in April, and since then has remained above the balance price for many of the fields on the Norwegian continental shelf. If no package of tax measures for the petroleum industry had been adopted, the favourable developments in the oil price through the second half of the year would probably have prevented cuts other than those of which the companies gave notice in March. It is also possible they would have reversed some of the original March cuts.

The temporary tax rules will apply up to production start for all investment projects submitted for official approval after 2019, but before 1 January 2023. Therefore the oil companies plan to begin a very large number of new projects by the end of 2022. These projects can be divided into three categories: those that were already in the plans for the period 2020–2024 prior to the pandemic, projects that were planned for after this period, and projects on findings that have not been considered commercially extractable or which have been in an early maturing phase where a decision on extraction has not already been earlier. Given the price assumptions in this economic report, it is reasonable to suppose that the projects that were planned for the period 2020–2024 before the pandemic would have been realised in this period even without the petroleum package, apart from a delay prompted by the sharp fall in the oil price in spring last year. The projects that will be accelerated would not have come about in this period without this tax incentive. Projects on findings with more uncertain commerciality would either have come later or never been realised without the tax impetus.

All in all, the temporary tax rules will increase investment in the years 2020–2024 compared with a normal tax regime. A large portion of this additional investment would have come later without the petroleum package. Earlier investment also results in accelerated oil and gas production and a steeper decline in production later. In addition, the tax package implies a substantial transfer from the Norwegian state to the oil companies through tax reductions.

Ministry of Finance (2020). Answer to question no. 1785 from Storting representative Mudassar Kapur, for written response, 4 June. Available in Storting document series no. 15 (2019–2020) (Norwegian text).

D. Lund. 2020. Kraftig subsidiering av norsk petroleum [Heavy subsidisation of Norwegian petroleum]. Samfunnsøkonomen 34/43

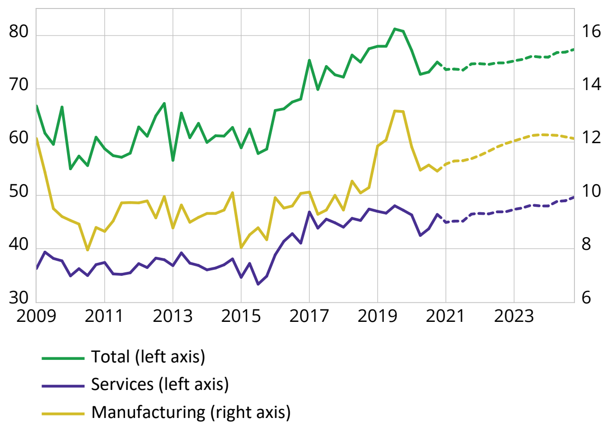
control measures. Most planned investment took place, except in exploration. This is attributable to the rise in the oil price through the second half of the year and the introduction of temporary changes in the petroleum tax system adopted by the Storting in June 2020. Further details of the temporary tax rules are provided in Box 2.

Statistics Norway surveys the petroleum companies' investment plans in the quarterly survey of intended investment in oil and gas, manufacturing, mining and power supply (KIS). The most recent investment intentions survey, conducted in February, indicates a fall of 6.4 per cent this year. Since the survey in February last year, the projection for 2021 has increased by 14 per cent, partly due to overruns on development projects. Plans for Development and Operation (PDOs) have also been submitted for a couple of projects. The projection for 2021 has also increased as a result of postponements from 2020 and the bringing forward of investments previously planned for 2022. PDOs are expected to be submitted this year for the fields Kristin South, Frosk, Kobra East/Gekko and Tommeliten Alpha. A number of projects are also expected on existing fields. In isolation these PDOs and field projects will raise investment in 2021 above the current survey figure. For projects where PDOs were approved earlier than 12 May 2020, the temporary tax rules will be phased out in the course of 2021. This may give operators on the Norwegian continental shelf incentives to keep postponement of investments from 2021 to 2022 to a minimum. We therefore forecast that the volume of petroleum investment will fall by 3 per cent this year.

The February investment intentions survey also has initial projections for 2022. The nominal projection published for 2022 is approximately NOK 139 billion, which is 8.9 per cent lower than the corresponding projection for 2021 that was published in February last year. As mentioned in the paragraph above, the 2021 projection has increased substantially in later surveys. The 2022 projection will therefore have to increase considerably in order to maintain the decline of 8.9 per cent that is now indicated. Investment tends to be appreciably higher in the second year of a development project than in the first. Investment in developments commenced this year will therefore probably be higher in 2022 than this year. Extensive overruns

Figure 10. Investments Mainland Norway

Seasonally adjusted, billion 2018 NOK, quarter



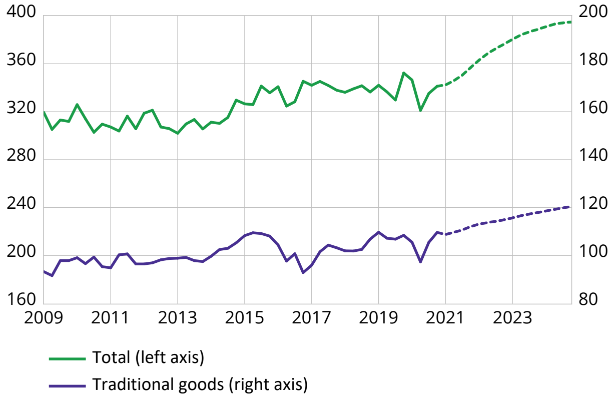
Source: Statistics Norway

reported for several developments in the autumns of the last two years have substantially raised the projections for the following year. We assume that the increase in the projections due to overruns will be somewhat lower for 2022 than for the two previous years. The temporary tax rules appear likely to trigger and accelerate very many development projects in 2022. Decisions to develop most of these will probably be taken late in the year. The individual projects will therefore generate relatively moderate investment the same year. Since there are so many, however, we forecast that the combined investment they represent in 2022 will be considerable nonetheless. Although the temporary tax rules will cease to apply to investment in older PDOs at the end of 2021, the favourable rules will continue to apply to additional investment associated with any changes or expansions in the PDO. This will probably contribute to markedly higher investment in fields in operation than assumed in the existing initial projection for 2022. Given these assumptions, we now forecast a 6 per cent fall in the volume of petroleum investment in 2022. The fall is more pronounced than forecast in the previous economic report, mainly because our projection for 2021 is now higher.

Investment in development projects is usually highest in the second and third years of the development phase. The very large numbers of PDOs expected to be submitted in 2021 and 2022 will therefore generate very high development investment in 2023 and 2024. We project 10 per cent growth in volume in 2023 followed by more moderate growth of 4 per cent in 2024. This would put

Figure 11. Exports

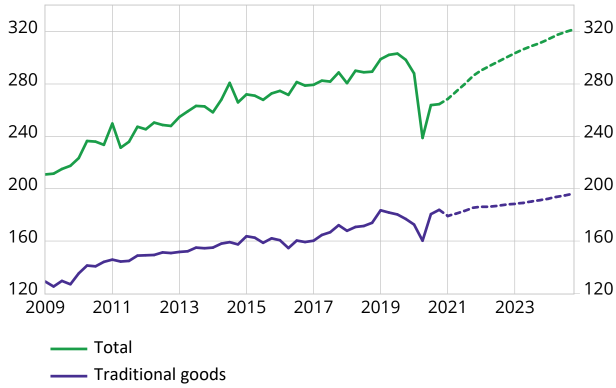
Seasonally adjusted, billion 2018 NOK, quarter



Source: Statistics Norway

Figure 12. Imports

Seasonally adjusted, billion 2018 NOK, quarter



Source: Statistics Norway

the investment level in 2024 on roughly the same level as in 2019.

Petroleum production developed strongly in 2020. While gas production fell by 2.5 per cent, production of liquids (crude oil, NGL and condensate) increased by a whole 15.6 per cent compared with the previous year. The increased fluid production is directly attributable to the fact that 2020 was the first full year of production for the large Johan Sverdrup field. The Norwegian Petroleum Directorate expects a moderate increase in both oil and gas production this year. Production growth is expected to be stronger next year but to follow a waning albeit still positive trend later in the projection period. Oil and gas extraction in 2024 is expected to be only 4 per cent lower than in the record year of 2004. The Norwegian Petroleum Directorate expects oil and gas extraction to fall at an increasing rate for the remainder of the decade.

Weak business investment

Developments in business investment through 2020 strongly reflected uncertainty engendered by the COVID pandemic, both here in Norway and among our trading partners. Investment fell sharply through the first half of the year, but rebounded somewhat in the second half. Although business investment rose by 2.5 per cent in Q4, on balance the investment level for 2020 was nonetheless more than 6 per cent lower than in 2019, according to national accounts figures.

Statistics Norway surveys the investment plans of manufacturing enterprises. According to the most recent survey, companies forecast that investment will be about 5 per cent lower in 2021. The industry group food, beverages and tobacco products, which reported strong investment growth last year, will contribute most to the decline this year. The group repair and installation of machinery will also contribute significantly to the projected fall in investment. Overall, the low projections for manufacturing investment must be viewed in light of the very high growth in 2019. A number of large investment projects that started in 2019 entered a final phase last year, while others will do so this year. We could therefore expect a decline in investment irrespective of the pandemic. A lower oil price and increased uncertainty as a consequence of the pandemic have further impacted the investment outlook for Norwegian manufacturing. The power supply investment intentions survey indicates a fall of a full 15 per cent this year. As in the case of manufacturing investment, this must be viewed in light of the fact that several large wind farms were completed last year.

The service industries have been hit particularly hard by the pandemic. Companies' willingness to invest has reflected great uncertainty about the economic outlook and shortage of funding as a result of poor liquidity, particularly in industries such as travel and tourism and cultural activities. According to the March report of Norges Bank's Regional Network, which surveys the views of enterprises and organisations on economic developments in Norway, investment by service industries is expected to be approximately unchanged in the period ahead.

Box 3. Import shares

Consumption of goods and services can be decomposed into final deliveries – i.e. for consumption, investment and exports – and intermediate inputs, which constitute a production factor. Some of the final deliveries come directly from imports. The remainder are delivered by Norwegian manufacturers, who use imported intermediate inputs to varying degrees.

This box shows estimated import shares for the Norwegian economy. A static input-output model is used for the purpose and applied to the last year with final national accounts figures, which is 2018 (by way of comparison we also show import shares for 2017). The projections below therefore do not capture potential changes in import shares as a consequence of the pandemic. The analysis takes account of imported intermediate inputs, also through subcontractors, in addition to direct imports of final deliveries. However, the static input-output model does not take account of factors such as changes in relative prices, the knock-on effects of changes in earnings, any need for changes in production capacity (investment) and changes in interest and exchange rates.

Investment is the main group of final delivery categories with the highest share of imports. We decompose total new investments by both type and industry. The import share in construction investment is relatively modest, while it is high for ships. Other types of investment also have a considerable share of imports. Shipping has by far the highest import share of the industries. The share of petroleum-related imports fell somewhat in 2018, but is nonetheless appreciably higher than the average for other investment.

Consumption accounts for a little more than half of total final deliveries and a somewhat lower share of imports than the rest of the Norwegian economy. However, there is wide variation among the various consumption subgroups. Norwegians' consumption abroad is regarded in its entirety as imports. Vehicles account for a substantial share of imports, as very few cars are manufactured in Norway. The reason their import share is not even higher than 42.6 per cent is that mark-ups and taxes account for a large share of the costs of vehicle purchases. The subgroup 'Miscellaneous goods' – which consists of goods such as clothing and footwear, furnishings and electronics – also has a relatively high import share of 44.5 per cent. Energy products are largely produced in Norway, but despite Norway's high oil production, a considerable amount of petrol and diesel fuel is imported. In periods of low electricity production, power is also imported from neighbouring countries. On aggregate, energy products consumed by households have an import share of barely 5 per cent. Apart from dwellings, public sector consumption, which consists largely of labour costs, is the consumption component with the lowest total import share.

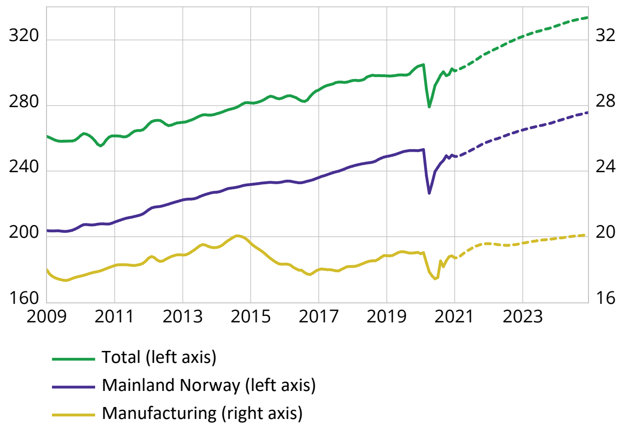
There are also substantial variations among the different export subgroups. Exports of shipping services and traditional goods have a high import content due to the fact that a large proportion of the intermediate inputs are purchased outside Norway. Exports of oil and gas are distinguished by the low share of imports involved, because most of the production value originates from the Norwegian continental shelf, and thus consists of petroleum rent.

Import shares

	Share of final deliveries, in per cent,	Import share in per cent	
	2017	2017	2018
Consumption	**53,7**	**21,9**	**19,5**
Consumption by households and non-profit organisations	34,5	29,5	25,9
Food and beverages	4,5	24,5	30,4
Energy products etc.	1,1	4,7	4,7
Own vehicles	2,5	42,6	42,6
Misc. goods	6,0	43,5	44,5
Dwellings	5,5	8,4	7,5
Other services	18,3	17,8	18,8
Norwegians' consumption abroad	2,6	100,0	100
Public sector consumption	19,1	9,7	9,5
New investments	**18,1**	**35,2**	**36,2**
By type:			
Buildings and infrastructure	8,8	21,7	22,3
Aircraft and ships	0,6	77,0	64,6
Other types	8,7	48,3	48,2
By industry:			
Mainland Norway	18,9	31,4	32,9
General government	4,1	30,8	31,1
Manufacturing	0,9	43,7	46,8
Other goods-producing industries	1,6	44,6	43,3
Housing	8,8	21,7	22,3
Other service industries	3,5	36,0	39,3
Extraction and pipeline transport	3,3	49,2	46,8
Shipping	0,2	81,7	65,6
Exports	**27,7**	**18,7**	**18,7**
Mainland Norway	13,1	24,7	25,8
Inventories	8,9	27,1	28,5
Services	4,2	19,6	19,9
Oil and gas	12,4	3,3	3,1
Shipping etc.	2,1	63,8	67,3
Total end uses		**23,5**	**22,3**

On balance, we forecast that business investment will fall by around 2 per cent this year and rise in subsequent years in pace with the post-pandemic recovery. The low interest rate level also acts as a stimulus for increased investment. According to our projections, investment growth will be about 3 per cent in 2022 and somewhat lower in 2023 and 2024. Given these developments, the investment level towards the end of the projection period will still be somewhat lower than in 2019.

Figure 13. Gross domestic product
Seasonally adjusted, billion 2018 NOK, month



Source: Statistics Norway

Foreign trade in the time of corona

The coronavirus pandemic undermined international trade in 2020. Both exports and imports of traditional goods and services fell sharply in the first half of last year, but picked up to varying degrees in the second half of the year. Imports shrank more than exports. On the other hand, oil and gas exports increased last year. As a result, overall exports less overall imports (measured in constant prices) increased sharply after falling for several years. But this large positive excess volume was overshadowed by negative price effects. A greater decline in prices for exports than for imports of traditional goods and services and lower global market prices for crude oil and natural gas, which are very important to the trade balance, resulted in a current account deficit for the first time since 1988.

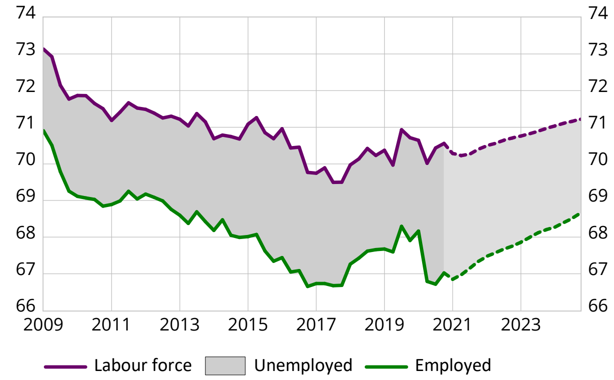
Exports of traditional goods fell sharply in Q2 last year, but have since picked up and exceeded the pre-pandemic level. The fall and rebound were greatest for the large groups of export goods refined petroleum products, basic chemicals, chemical and mineral products, metals, and engineering products. As a result of the low export volumes in Q2 and Q3, volumes of traditional goods exports were reduced by 2.3 per cent in 2020 as a whole. The reduction can be largely attributed to reduced exports of refined petroleum products and engineering products. Total exports of oil and gas varied relatively little through last year, but a large positive carry-over into 2020 explains the 9.5 per cent growth in volume in 2020.

Infection control measures lowered both consumption and production of services more than of goods in Norway. The same is true of many of Norway's trading partners. Exports of services slumped by about 13 per cent in the course of March and April last year. After weak trend growth through the remainder of last year, the annualised result for 2020 was also a fall of 13 per cent. The decline was broad-based, but foreigners' consumption in Norway came to an almost complete halt, and the large reduction accounted for about 70 per cent of the total decline in service exports last year.

The price index for traditional goods exports fell through the first eight months of 2020, and the price fall for the year as a whole was almost 20 per cent. The export price index for services followed a similar path through the year, but a large positive carry-over into 2020 ensured a small positive annualised price rise. The oil price was halved from January to April 2020. It has subsequently risen, and at the beginning of March this year the whole price fall had been recouped.

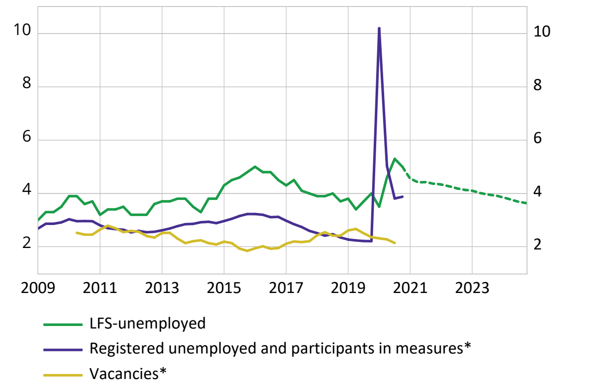
The COVID situation had a qualitatively equal effect on imports and exports. Imports of traditional goods and services fell sharply in March and April, and exhibited growth in the second half of the year. It was to a large extent the same groups of goods and services that were most impacted by the COVID situation: refined petroleum products, metals and engineering products fell, while food and beverages increased. Restrictions and infection risk slashed foreign travel by almost 80 per cent. Norwegians normally travel abroad a lot, so that the reduction accounted for about 70 per cent of the overall reduction in service imports in the second half of the year. The decline was about three times as large as the decline in foreigners' consumption in Norway, measured in NOK.

Figure 14. Labour market status
Percent of population in working age, LFS



* Unemployment is measured as share of population in working age
Source: Statistics Norway

Figure 15. Unemployed and number of vacancies
Percent of labour force and of the sum of occupied and vacant positions, seasonally adjusted and smoothed



*Breaks in the statistics make the numbers incomparable before and after January 2013
Source: The Norwegian Labour and Welfare Administration and Statistics Norway

The pandemic also looks set to set its mark on 2021. Many countries have tightened their infection control measures recently because new and more infectious, and possibly more deadly virus mutations are spreading. On the other hand, increasing vaccination is expected to gradually have an effect. There is great uncertainty as to how foreign trade will be affected, perhaps first and foremost travel and tourism, but also exports and imports of other services. Several of Norway's big and important trade partners have been harder hit by the pandemic, and the recovery in these countries may be stronger than in Norway. This may generate extra growth impulses, especially for service exports.

We have assumed that global demand will rebound to pre-pandemic levels in the course of 2022. A weak krone in a historical time perspective and improved cost-competitiveness will stimulate growth in exports. Oil and gas exports will increase slightly as a result of increased production. Imports have followed, and will probably continue to follow, a course similar to that of exports. We expect a net export surplus and terms of trade gains for mainland Norway, coupled with growing petroleum income, to turn the trade deficit in 2020 into a surplus in the years ahead. A larger reduction in transfers of share dividends and interest expenses from Norway to other countries than the reverse contributed substantially to the fact that the positive net balance of income and current transfers more than doubled from 2019 to 2020. We expect the current account surplus to increase for the next few years, with contributions from the balance of income and current transfers up to the same size as those from the trade balance. The current account surplus as a percentage of GDP is accordingly projected to rise from almost 2 per cent in 2020 to 8–10 per cent in the projection period 2021–2024.

Norwegian economy is recovering

The preliminary national accounts figures show that mainland GDP fell by 2.5 per cent from 2019 to 2020. After adjustment for three extra business days in 2020, the fall was 3.1 per cent (see Box 3.1 in Konjunkturtendensene 2021/1 (Norwegian text)). This contraction was somewhat smaller than in our previous projections. It is nevertheless the sharpest contraction measured in the mainland economy since 1970, which is the first year of this time series in the national accounts. It is probably also the sharpest contraction since World War II.

In 2020 the Norwegian economy was characterised by wide fluctuations through the year, and there were large differences across industries. Activity declined dramatically after the outbreak of COVID 19 and the infection control measures that were subsequently introduced in Norway and the rest of the world. There was a particularly sharp decline in service industries, where infection control considerations led to reduced activity. After a historically steep fall in March and April last year, activity in the Norwegian economy picked up again in subsequent months. A lower infection rate and subsequent relaxation of infection control measures resulted in strong growth in May and June. Although third quarter growth as a whole was also strong, growth slowed through the quarter. Towards the end of October, the number infected with the virus in Norway increased again. Infection control measures were therefore stepped up, but they were not as extensive as in March. Schools and day-care centres remained open, and the restrictions on the service industries were less stringent. Industries that were impacted by infection control measures were already at a low level of activity. It is also possible that businesses were in a better position to adapt to more stringent measures towards the end of the year than at the beginning of the pandemic. Thus there was a further rebound towards the end of the year. The overall effect was that the contraction in 2020 was not as deep as it might have been.

The monthly national accounts for January 2021 show a dip in activity from December to January. Overall, the activity level in January 2021 was 1.5 per cent lower than in February 2020. Much of the fall since the outbreak of the pandemic has thus been recouped. At the same time, future economic developments are shrouded in uncertainty. The virus will continue to restrict activities in the immediate future. Infection levels have risen again, and more infectious mutations have developed. Further restrictions and consequent shutdowns may rein in the economic recovery in both Norway and many other countries. The tightening of infection control measures will probably continue to restrain growth in the months ahead. As the summer approaches, vaccination will probably lead to the easing of many radical infection control measures and to economic activity picking up, providing that the vaccines prove effective on all new virus mutations.

The recovery will be particularly pronounced in the areas that were hard hit by the infection control measures. This applies in particular to the service industries that suffered a sharp decline last year. Domestic consumption contributed strongly to inhibiting activity through 2020. Consumption of services was hard hit because several service industries were ordered to shut down or restrict their operations to reduce the risk of infection. The easing of infection control measures and increased normalisation will gradually boost domestic consumption and contribute to pushing up activity this year and for the remainder of the projection period.

Many of our trading partners have experienced a far more severe fall in economic activity than Norway, and domestic developments will also depend on the general global situation. Our projections show that as the current infection control measures are phased out and more people are vaccinated, a higher level of activity among our trading partners will boost activity in Norway. Manufacturing is expected to benefit from the gradual pick-up of growth abroad, and from the fact that the krone remains at a historically low level, despite appreciating somewhat since spring 2020.

Other areas will also experience more activity. After several years of solid growth and a high level of activity, production in the construction industry slumped after the outbreak of the virus, but is likely to pick up again over the next few years given increased housing investment. General government activity is expected to remain fairly stable.

We forecast that mainland GDP will increase by 3.3 per cent this year. The upturn in the mainland economy appears likely to be broad-based, and by the end of 2021 activity is expected to revert to the same level as prior to the outbreak of the virus in February 2020. Growth in the mainland economy is then assumed to pick up further, to 3.6 per cent in 2022, before falling back somewhat for the remainder of the projection period.

Unemployment will remain high for a while yet

The outbreak of the COVID-19 virus and subsequent infection control measures affected the labour market negatively in 2020, with high levels of unemployment in recent months. Registered unemployment was 3.8 per cent in December and 4.4 per cent in January 2021, while according to the Labour Force Survey (LFS), unemployment in 2020 Q4 was 4.8 per cent. LFS unemployment is usually higher than the unemployment figures registered with the Norwegian Labour and Welfare Organisation (NAV) because there are some persons in the LFS survey who say they want work, but who have not registered with NAV.

In the NAV figures for registered unemployed, those on furlough are classified as unemployed from the first day of furlough. The 2020 Q2 NAV figures were therefore a better indicator than the LFS figures of how many were involuntarily prevented from working. The number registered with NAV as unemployed increased from 2.4 per cent of

Box 4. Difference between the projection and the published national accounts figures for annual wage growth in 2020

The difference between full-time equivalent annual wage and annual earnings
In our KVARTS macroeconomic model, the growth rate of the variable "full-time equivalent annual earnings" is used as the starting point for projecting growth in "annual earnings", the annual wages concept used in the national accounts. The latter statistical concept is published annually by Statistics Norway in Table 09785 in StatBank, while the former can be derived from two other published statistical concepts: "wages and salaries" and "full-time equivalent employment, employees". These can be found in Table 09174 (published annually) and Table 09175 (published quarterly) in StatBank, and the term "full-time equivalent annual wage" is based on these and defined as "wages and salaries" divided by "full-time equivalent employment, employees".

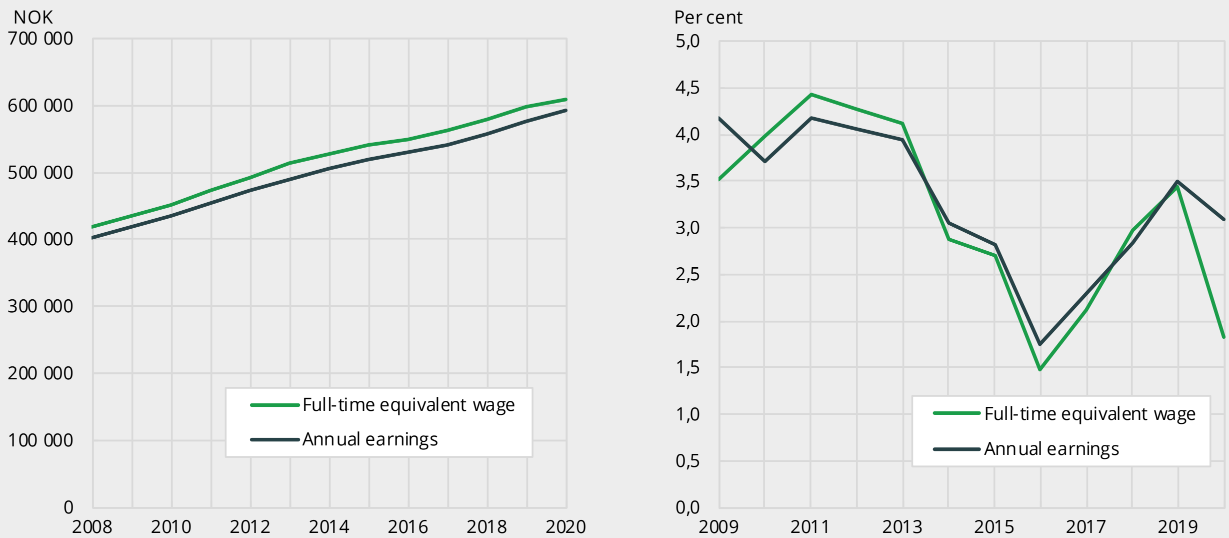
Historically, developments in both the level (measured in NOK) and the growth rate (measured in per cent) of "full-time equivalent annual wage" and "annual earnings" have moved closely in parallel. In the period 2009–2019, the difference between the growth rates lay between 0.3 and 0.7 percentage point, while the difference in 2020 was 1.3 percentage points. This is illustrated in the figure.

The difference in level between "full-time equivalent annual wage" and "annual earnings" over the period 2008–2019 is NOK 20 000 on average, and can be partly explained by the fact that "annual earnings", does not contain any payment in kind, overtime pay or special remuneration such as realisation of gain on sale of shares or options allocated to employees, as "full-time equivalent annual wage" does. Another important difference which has a countering effect is that all wages, sick pay and paid leave disbursed by employer or NAV in the event of illness or parental leave are not included in "wages and salaries", while "full-time equivalent employment, employees" (the denominator in the expression) is unaffected, which leads to a reduction in the level of "full-time equivalent annual wage" relative to "annual earnings". Labour conflicts that result in strikes or lockout will also reduce "full-time equivalent annual wage", but not "annual earnings".[1]

In 2020, however, there were other factors that led to the growth rate for "full-time equivalent annual wage" being so different from that of "annual earnings". The chief contributor was the extensive furloughing in the course of 2020 as a consequence of infection control measures and appurtenant reduced activity in a number of industries, plus changes in the rules for furloughing and unemployment benefit after the outbreak of the pandemic (see Box 3.4 in Konjunkturtendensene 2021/1 (Norwegian text) for details). In connection with furloughing, the numerator in "full-time equivalent annual wage" ("wages and salaries") will fall, while the denominator ("full-time equivalent employment, employees") will remain the same as before as long as the worker is regarded in the national accounts as employed. Jobs where the worker has been put on full-time furlough for more than 90 days do not contribute to wages, employee numbers or full-time equivalents for the part of the furlough period that exceeds 90 days.

For "annual earnings", on the other hand, wages will be calculated as the wage the employees would normally have received if there had not been full or part furloughing. In cases of full-time furloughing that lasts more than 90 days, just as for the calculation of "full-time equivalent annual wage", only the first 90 days of the furlough will be included in the basis for calculation. For persons who are affected by furloughing and who receive a calculated wage, during furlough-

Full-time equivalent annual wage and annual earnings. Level and growth. NOK and per cent



Source: Statistics Norway, StatBank table 09174 and 09785 ing the job is allocated the same fraction of a full-time equivalent as before furloughing took place. Since the denominator in the two wage concepts is not affected identically in furlough cases, while the numerator in "full-time equivalent annual wage" is reduced relative to the numerator in "annual earnings", "full-time equivalent annual wage will thus fall in the event of full or partial furloughing in 2020, while "annual earnings" should in principle be unaffected.

As a consequence of the large number of fully or partially furloughed workers, growth in "annual earnings" was far higher than growth in "full-time equivalent annual wage" in 2020. The table shows estimates of the difference in contributions to the growth rate in 2020 due to furloughs and to other factors.

Forecast error in 2020

Even given the upward revision of the projection for growth in "annual earnings" to 2.4 per cent in 2020 in our previous economic report published in December 2020, growth in 2020 was strongly underestimated and ended at 3.1 per cent according to the published national accounts figures. The upward revision of the projection from 2.0 per cent in the September report to 2.4 per cent in the December report was based on assessments of the quarterly sectoral wage statistics ("average basic monthly wage") published by Statistics Norway (see Box 1 in Economic Survey published in December 2020). It was stressed that there was great uncertainty associated with the projection for annual wage growth, partly because of uncertainty as to how strongly compositional effects would be reflected in "annual earnings" in 2020.

The projection for average basic monthly wage in the private sector in 2020 Q4 was based on an assumption

Contributions to the difference between "full-time equivalent annual wage" and "annual earnings"

	Level in 2019	Level in 2020	Growth from 2019 to 2020 (per cent)
Full-time equivalent annual wage (NOK)	598 000	609 000	1,8
Annual earnings (NOK)	575 700	593 500	3,1
Difference (percentage points)	..	..	-1,3
Calculation of wages lost due to furloughing	..	..	-0,9
Payment in kind, overtime pay, sick leave and paid leave, industrial disputes, special wage payments and other factors	..	..	-0,4

Source: Statistics Norway, StatBank table 09174 and 09785.

of a relatively low growth rate in that quarter, which proved to underestimate actual wage growth in the economy. Moreover, bonus payments in retail trade and repair of motor vehicles contributed to raising growth in annual wages in this important industry, which accounted for about 11.5 per cent of full-time equivalents for wage-earners in 2020. In addition, compositional effects between industries appear to have contributed somewhat more to wage growth in 2020 than forecast in the December report.

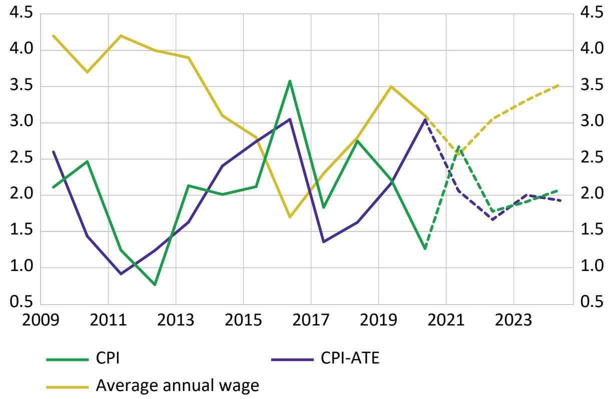
[1] Strictly speaking, "annual earnings" is not covered by the international regulations that define what national accounts must cover and how they are to be calculated.

the labour force at the end of January to 10.6 per cent at the end of March, followed by a decline to 5.0 per cent in June and further to 3.5 per cent in October. Registered unemployment subsequently increased to 4.4 per cent in January 2021. The registered monthly unemployment figures for March, April and May were the highest observed since 1991.

From 2019 to 2020, LFS unemployment rose from 3.7 per cent to 4.6 per cent. Because LFS unemployment figures do not include the majority of those furloughed, the level of LFS unemployment was lower than the NAV figures for the first months of the coronavirus crisis. In Q3 and Q4, however, the LFS figures again showed higher unemployment than NAV. LFS unemployment was 5.4 per cent in Q3 and 4.8 per cent in Q4, increases of 1.6 percentage point and 1.0 percentage point, respectively, on the same quarters the previous year.

The labour force underwent little change, edging down 0.1 percentage point, while there was a marked decline in both employment and hours worked. According to the national accounts, employment fell by 1.3 per cent and hours worked by 2.2 per cent from 2019 to 2020. This large difference reflects the fact that hours worked takes into account furloughs and other absence from the workplace, while employment in the national accounts does not. In the national accounts and the LFS, workers are regarded as employed for up to 90 days after the commencement of full-time furlough. The difference between employment and hours worked was particularly pronounced in accommodation and food service activities, where employment fell by 10.4 per cent and hours worked by 18.9 per cent. There was also a sharp fall in employment and hours worked in other industries. Hours worked in commercial services fell by 11.3 per cent, in transport by 7.8 per cent and

Figure 16. Consumer price indices and annual wage
Change from previous year in percent



Source: Statistics Norway

in culture, entertainment and other services by 6.1 per cent. These four industries accounted for 16.6 per cent of total hours worked in 2020.

Hours worked fell by 2.0 per cent in Q1 and by 4.7 per cent in Q2, after which they increased by 3.5 per cent in Q3 and 1.8 per cent in Q4. As a result of this rebound, hours worked in Q4 were only 1.5 per cent lower than in the same quarter the previous year. We expect hours worked to continue increasing in 2021 and 2022, by 2.3 per cent and 1.7 per cent, respectively, while employment growth will be lower, at 0.7 per cent and 1.3 per cent. We foresee more equal developments in hours worked and employment in 2023 and 2024. We do not expect employment to reach the same level as in 2019 until 2022.

The numbers on furlough have varied considerably through 2020. In January 2020, 4 700 furloughed employees were reported to NAV. The furlough rules were changed in March to help both employers and employees. This resulted in a sharp rise in the number furloughed, peaking at 272 800 in April, with a subsequent decline through the year to 61 000 in December. Of those on furlough in December, 37 500 were fully unemployed. A further decline in numbers furloughed, if the employees return to full-time work, will lead to hours worked increasing more than employment.

Vaccination of the population, coupled with a continued expansionary fiscal policy and low interest rates will boost the labour market from mid-2021. We expect global economic activity to improve concurrently. We foresee average LFS unemployment of 4.5 per cent in 2021 followed by a gradual fall to just under 4 per cent in 2024. As demand for labour picks up, the labour supply will also grow from the end of 2021.

Real wages this year more or less unchanged

Annual wage growth has been rising in recent years, from 1.7 per cent in 2016 to 3.5 per cent in 2019. National accounts figures show average wage growth of 3.1 per cent in 2020, which is considerably higher than the projection of 2.4 per cent in our previous economic report. A more detailed explanation of the difference between the projection in the last report and the published 2020 national accounts figures is provided in Box 4.

The norm negotiated by the wage leader in the deferred wage settlement in 2020 was 1.7 per cent, the lowest rise since the Confederation of Norwegian Enterprise (NHO), in agreement with the Norwegian Confederation of Trade Unions (LO), began to estimate the wage leader norm in this way in 2014. The Technical Reporting Committee on Income Settlements (TBU) calculates annual wage growth for the largest negotiating areas. Preliminary estimates from the TBU show annual wage growth for employees in manufacturing under the NHO of about 2.3 per cent in 2020, i.e. higher than the norm. Annual wage growth in 2020 for central government employees (excluding the state-owned health trusts) is estimated to be 1.8 per cent, while for employees in retail businesses under the Enterprise Federation of Norway (Virke) it is estimated to be about 3.5 per cent.

Growth in average annual wages can be decomposed into contributions from carry-over, pay increases and wage drift. The carry-over is the difference between the annual wage level at the end of the previous year and the average annual wage level that same year, and provides information about annual wage growth for the current year. The negotiated wage increase consists of the wage increase arising from central negotiations. Wage drift is the sum of all factors that affect annual wages other than carry-over and negotiated wage increase.

For manufacturing employees in NHO businesses, the carry-over was 1.2 percentage points, the negotiated increase 0.2 percentage point and wage drift about 0.8 percentage point in 2020. For

Table 5. The consumer price index – goods and services by consumption group

	Weight[1]	Change on previous year, per cent					
		2017	2018	2019	2020	jan.21	feb.21
Total	**1 000**	**1.8**	**2.7**	**2.2**	**1.3**	**2.5**	**3.3**
Food and non-alcoholic beverages	129.7	0.0	2.5	1.0	3.2	0.7	0.1
Alcoholic beverages and tobacco	42.9	2.0	2.2	2.7	2.7	-0.8	-1.8
Clothing and footwear	49.4	-0.6	-3.4	1.0	-1.7	-0.6	0.3
Housing, lighting, fuels	241.1	3.0	5.0	1.9	-3.5	3.8	6.4
Of which: Electricity including grid charges	31.7	9.3	25.6	0.7	-29.4	18.9	41.2
Furnishings, household equipment	67.8	-1.2	1.2	2.4	6.8	6.2	7.0
Health	32.3	2.0	1.6	2.6	2.9	2.0	2.7
Transport	150.3	2.5	3.5	3.0	1.6	1.2	2.1
Of which: Purchase of vehicles	58.3	1.7	2.8	1.1	1.8	5.3	5.6
Communications	24.9	1.1	1.0	3.2	4.8	2.6	1.9
Recreation and culture	111.9	2.8	2.4	2.9	3.4	3.5	3.4
Education	4.7	4.9	6.2	4.3	3.1	2.1	2.1
Restaurants and hotels	58.5	3.6	2.8	2.6	2.1	2.4	1.7
Miscellaneous goods and services	86.5	2.2	1.5	1.4	3.6	2.9	3.1

[1] The weights apply from January 2021 to December 2021
Source: Statistics Norway

Table 6. The consumer price index adjusted for tax changes and excluding energy products (CPI-ATE), by supplier sector

	Weight[1]	Change on previous year, per cent					
		2017	2018	2019	2020	Jan. 21	Feb.21
Total	**1 000**	**1.4**	**1.6**	**2.2**	**3.0**	**2.7**	**2.7**
Norwegian products	145.8	0.3	1.3	2.1	3.0	3.7	2.4
Imported goods	339.5	0.7	0.7	1.3	2.9	3.3	3.8
Rent	221.1	1.9	1.6	1.7	1.5	1.2	1.0
Services excluding rent	293.7	2.4	2.5	3.7	4.1	2.8	3.1
- with wages as dominant price factor	94.1	2.8	2.8	2.9	3.0	3.5	3.9
- with other important price components as well	199.6	2.3	2.4	4.0	4.6	2.5	2.5

[1] The weights apply from January 2021 to December 2021
Source: Statistics Norway

central government employees (excluding those in state-owned health trusts), the carry-over was 1.2 percentage points, wage drift 0.5 percentage point while the negotiated increase only amounted to 0.1 percentage point. For retail employees under Virke, wage drift amounted to about 2.3 percentage points, of which around 1 percentage point was attributable to bonus payments. By way of comparison, wage drift for these enterprises averaged 1.5 percentage points over the period 2016–2020.

The carry-over into 2021 for manufacturing employees in NHO businesses is estimated by the NBU to be about 1.3 percentage points, with 1.0 percentage point for manufacturing workers and 1.5 percentage points for clerical employees in manufacturing. The carry-over from 2020 to 2021 is 0.4 percentage point for central government employees and 1.0 percentage point for retail employees under Virke. There is no estimate for the overall carry-over, because not all wage settlements have been completed and they come into effect at different times.

According to our calculations, annual wage growth will be 2.6 per cent in 2021 before increasing to a little over 3 per cent towards 2024. Our projections indicate a 2.7 per cent rise in the consumer price index (CPI) this year, so that real wages will be more or less unchanged in 2021. Going forward, we expect a rise of about 2 per cent in the CPI, and thus growth in real wages of just over 1 per cent leading up to 2024.

Energy prices and taxes affect CPI inflation

The annual rise in the consumer price index (CPI) ended at 1.3 per cent in 2020, and inflation was thus appreciably lower than in 2019, when the CPI rose 2.2 per cent. Underlying inflation measured by the consumer price index adjusted for tax changes and excluding energy products (the CPI-ATE) rose by 3.0 per cent in 2020, thereby rising by 0.8 percentage point compared with 2019. The difference between the CPI-ATE and the CPI for the year as a whole was as much as 1.7 percentage points. Abnormally low electricity prices in 2020 were the main reason for CPI inflation being markedly lower than CPI-ATE inflation, but low fuel prices and a 0.2 percentage point contribution from temporary tax reductions also reined in CPI inflation.

The krone depreciated by an annualised average of 6.7 per cent from 2019 to 2020, thereby raising underlying inflation last year. The depreciation of the krone led to a high rise in prices for some import-related consumption groups, and the rise in prices for furniture and household items reached 6.8 per cent. The CPI-ATE sub-indices by supplier sector show that Norwegian and imported goods made roughly equal contributions to the approximately 3 per cent rise in underlying inflation, while the rise in rents exerted marked downward pressure.

The COVID-19 pandemic has impacted both access to data and the computation of the CPI for much of 2020. Inflation has been estimated for periods when services were shut down or consumption came to virtually a complete halt. The fact that consumers have been prevented from using some services makes the uncertainty associated with inflation projections greater than usual, and at present the extent to which similar measuring problems will also apply in 2021 is unclear. There are normally extensive special offers for food products in connection with Easter, school start and Christmas. These were largely replaced by other types of special offer campaigns, and this also affected price movements through 2020. The rise in prices for food and non-alcoholic beverages increased more than usual in 2020, and inflation measured by the CPI-ATE for this product group was 3.4 per cent from 2019 to 2020, but with a falling trend through the second half of the year. One reason for this development course is that prices for fresh products such as fruit respond swiftly to changes in the krone exchange rate. The pandemic also caused consumers to turn to online shopping to a greater extent than previously. A transition to online trading led to increased pressure on prices for many product groups. Even with the weak krone, there was a fall in prices also in 2020 for the category clothing and footwear, where prices fell by 1.7 per cent.

Underlying inflation measured by the 12-month rise in the CPI-ATE rose markedly from March to August last year, but then dipped somewhat towards the end of the year. Thus the depreciation of the krone at the beginning of 2020 helped to push up underlying inflation last year, and a carry-over of prices for import-related products such as furnishings and household equipment as well as vehicles contributed to relatively high CPI-ATE inflation at the start of 2021. The 12-month rise in the CPI-ATE was 2.7 per cent in both January and February, and underlying inflation has thus fallen somewhat from December, when annual inflation was 3.0 per cent. The CPI is the relevant measure of consumer purchasing power, and inflation was 2.5 per cent in January and 3.3 per cent in February. When the measures of inflation are compared at the beginning of 2021, two factors stand out. Whereas electricity prices push up overall price growth, as expected after the abnormal year for power of 2020, tax reductions have a countering effect.

Large quantities of snow in the mountains, a mild winter and autumn and periodic heavy precipitation all contributed to last year's low electricity prices. Problems in the cross-border electricity transmission system due to extensive unforeseen maintenance also contributed to Norwegian spot prices being record low and far lower than in the other Nordic countries. At the beginning of the year, Nordpool spot prices were relatively high in the Norwegian areas, pushing up electricity prices. Grid charges including taxes have fallen somewhat from 2020 to 2021 and contributed to curbing inflation. According to the CPI, the average rise in electricity prices, including grid charges, was 30 per cent in the period January–February compared with the same period the previous year. On the basis of forward prices in the power market, we now expect electricity prices, including grid charges, to increase by slightly over 30 per cent from 2020 to 2021. Forward prices in the power market are stable in the years ahead, indicating that electricity prices will not increase significantly. This is reflected in the prices for 3-year fixed price contracts offered by electricity suppliers to households. We assume that electricity prices, including grid charges, will fall a little in 2022 after rising this year. In recent months prices for petrol and diesel have risen from relatively low levels in December. In this projection, last year’s decline in fuel prices is reversed from 2020 to 2021. Fuel prices will then largely shadow oil price movements in the years ahead, and will fall back somewhat in 2022. We assume that energy products will add 1.0 percentage point to CPI inflation this year. In 2022 and 2023 energy products will restrain inflation somewhat, but will make a small positive contribution to CPI inflation in 2024.

The 12-month rise in the consumer price index adjusted for tax changes (CPI-AT) rose by 3.2 per cent in January and 4.1 per cent in February. Tax reductions thus contributed to reducing the annual rise in the CPI by over 0.7 percentage point at the beginning of the year. Special taxes on beer, wine, chewing tobacco and non-alcoholic beverages were reduced on 1 January. The tax on chocolate and sugar products was also discontinued. Taxes on non-alcoholic beverages were lowered on 1 July last year already. One of the measures in connection with the COVID-19 pandemic was a reduction in the low VAT rate from 12 to 6 per cent with effect from 1 April 2020. This reduction will be continued through the first half of 2021, and we assume that it will be reversed in the second half of the year. The temporary exemption from air passenger tax is being extended through 2021. Given these assumptions, tax cuts will contribute considerably less to reducing CPI inflation in the second half of the year than in the first, and we assume that on balance tax changes will reduce CPI inflation by 0.4 percentage point in 2021. In 2022, the reversal of the VAT reduction and exemption from air passenger tax will increase CPI inflation by 0.2 percentage point. We have adjusted the rates of the other special taxes for inflation for the years 2022–2024, assuming that these special taxes will have a neutral effect on CPI inflation in the years 2022–2024.

In our projections, the krone exchange rate is kept unchanged at the current level for the remainder of the projection period. The krone will then appreciate by an annualised average of 5.5 per cent from 2020 to 2021. Changes in the krone exchange rate affect prices for imported consumer goods with a lag. This can be attributed to several factors: there are costs associated with adjusting prices; long-term contracts and currency hedging help to keep enterprises' purchase prices constant even if the krone exchange rate changes; and expectations regarding the movements of the exchange rate may deviate from the historical tendency. At the same time, there are direct and indirect imports associated with intermediate inputs for the production of goods and services delivered by Norwegian industries, so prices for imported intermediate inputs also have a bearing on Norwegian consumer prices. Given constant exchange rates, the inflationary impulses generated by a weak krone will be exhausted in the long term, however. The rise in prices in NOK for imported goods will then be the same as the rise in prices among our trading partners. Global inflation is assumed in our projections to be moderate. This factor is essential to the slowing of underlying inflation through the year.

There is great uncertainty in the inflation projection for 2021. The uncertainty is associated with movements in the krone exchange rate and energy prices, and the further consequences of the COVID-19 pandemic. This includes the possibility that the structure of taxes may change to a greater extent than usual, as seen last year. Although productivity growth this year is expected to be relatively modest, as a consequence of moderate wage growth and lower imported inflationary impulses, our projections show CPI-ATE inflation falling to 2.1 per cent in 2021. As tax changes are expected to reduce CPI inflation by 0.4 percentage point, while energy products will add 1.0 percentage point to CPI inflation, the difference between CPI and CPI-ATE inflation will be 0.6 percentage point. CPI inflation is accordingly projected to be 2.7 per cent for 2021. Next year CPI-ATE inflation is expected to fall to 1.7 per cent, and for the years 2023–2024 it is projected to be close to Norges Bank's inflation target of 2 per cent. Given our assumptions about energy prices and taxes, CPI inflation will approximately shadow CPI-ATE inflation in the years ahead. Wage growth increases through the projection scenario, but higher productivity growth and low imported inflation dampen the effects of the increased wage growth on inflation.

Table 7. National accounts: Final expenditure and gross domestic product. At constant 2018 prices. NOK million

	Unadjusted		Seasonally adjusted							
	2019	2020	19.1	19.2	19.3	19.4	20.1	20.2	20.3	20.4
Final consumption expenditure of households and NPISHs	1 548 015	1 429 904	388 026	388 665	390 330	388 780	372 035	332 681	363 684	363 507
Household final consumption expenditure	1 465 262	1 356 914	367 382	367 891	369 439	367 855	351 867	316 115	345 798	345 453
Goods	668 007	704 663	168 618	169 019	168 542	167 577	163 839	173 752	183 937	185 258
Services	724 766	639 036	179 941	180 836	182 092	183 719	173 842	142 826	160 335	161 321
Direct purchases abroad by resident households	122 752	27 250	31 257	30 583	31 288	29 672	24 875	673	3 757	2 081
Direct purchases by non-residents	-50 264	-14 036	-12 434	-12 547	-12 483	-13 113	-10 690	-1 136	-2 230	-3 208
Final consumption expenditure of NPISHs	82 753	72 991	20 645	20 775	20 891	20 926	20 167	16 565	17 886	18 054
Final consumption expenditure of general government	841 508	856 128	208 317	209 810	210 976	212 383	212 921	208 356	214 474	220 461
Final consumption expenditure of central government	411 130	422 483	101 691	102 482	103 120	103 849	105 177	102 877	105 952	108 480
Central government, civilian	361 203	370 824	89 451	90 065	90 605	91 095	92 464	90 042	92 967	95 355
Central government, defence	49 927	51 659	12 240	12 417	12 514	12 754	12 713	12 834	12 985	13 125
Final consumption expenditure of local government	430 378	433 645	106 626	107 328	107 856	108 534	107 743	105 479	108 522	111 981
Gross fixed capital formation	891 426	856 889	213 189	222 147	228 824	226 617	217 705	213 508	211 705	213 592
Extraction and transport via pipelines	172 306	163 929	39 397	43 244	43 688	45 910	43 398	41 021	39 717	39 771
Ocean transport	2 642	4 750	308	596	818	920	1 919	178	1 362	1 291
Mainland Norway	716 478	688 210	173 484	178 306	184 318	179 787	172 388	172 309	170 625	172 531
Industries	318 274	298 243	77 968	77 993	81 230	80 788	77 228	72 718	73 141	75 003
Service activities incidential to extraction	3 766	2 519	817	983	1 000	961	772	707	611	429
Other services	189 001	178 949	46 984	46 641	48 037	47 220	46 316	42 466	43 709	46 403
Manufacturing and mining	50 293	44 843	11 850	12 080	13 167	13 145	11 823	10 948	11 136	10 908
Production of other goods	75 214	71 933	18 317	18 289	19 026	19 462	18 317	18 597	17 685	17 263
Dwellings (households)	190 300	182 659	47 893	48 043	48 006	46 305	45 266	45 448	44 890	47 004
General government	207 904	207 309	47 623	52 271	55 082	52 694	49 894	54 144	52 594	50 524
Acquisitions less disposals of valuables	378	151	98	93	94	94	85	11	38	17
Changes in stocks and statistical discrepancies	145 788	122 269	41 206	40 309	38 320	28 720	36 359	19 410	33 199	25 924
Gross capital formation	1 037 592	979 309	254 493	262 549	267 238	255 430	254 149	232 929	244 941	239 533
Final domestic use of goods and services	3 427 114	3 265 342	850 836	861 024	868 544	856 593	839 104	773 966	823 099	823 502
Final demand from Mainland Norway	3 106 001	2 974 243	769 827	776 781	785 623	780 950	757 343	713 346	748 783	756 499
Final demand from general government	1 049 412	1 063 437	255 940	262 080	266 058	265 076	262 814	262 500	267 067	270 985
Total exports	1 356 582	1 344 779	342 038	336 521	329 664	352 347	346 446	321 017	335 150	341 202
Traditional goods	429 387	419 589	109 699	107 167	106 780	108 415	105 561	97 322	105 471	109 578
Crude oil and natural gas	544 745	596 689	136 623	133 049	127 515	148 340	144 650	147 526	150 539	151 309
Ships, oil platforms and planes	12 195	7 548	3 126	4 496	2 565	2 008	3 264	1 647	1 851	786
Services	370 256	320 954	92 591	91 809	92 803	93 584	92 971	74 521	77 288	79 528
Total use of goods and services	4 783 697	4 610 121	1 192 874	1 197 545	1 198 208	1 208 940	1 185 550	1 094 983	1 158 249	1 164 704
Total imports	1 199 522	1 053 275	298 948	302 201	303 255	298 464	288 031	238 746	263 836	264 602
Traditional goods	718 462	700 148	183 431	181 719	180 267	176 895	172 601	160 248	180 526	183 832
Crude oil and natural gas	25 396	22 153	5 123	5 091	7 496	7 273	7 275	5 142	4 820	5 168
Ships, oil platforms and planes	33 015	32 330	6 506	10 378	9 556	6 574	8 217	8 405	8 578	7 129
Services	422 650	298 645	103 887	105 013	105 936	107 722	99 938	64 951	69 911	68 473
Gross domestic product (market prices)	3 584 175	3 556 846	893 926	895 343	894 952	910 476	897 520	856 237	894 413	900 102
Gross domestic product Mainland Norway (market prices)	3 003 219	2 929 344	747 639	752 121	757 351	757 450	742 611	698 550	733 518	747 407
Petroleum activities and ocean transport	580 956	627 502	146 287	143 222	137 601	153 026	154 908	157 686	160 895	152 695
Mainland Norway (basic prices)	2 605 506	2 539 599	648 419	652 840	657 342	657 630	645 719	605 889	634 167	647 402
Mainland Norway excluding general government	1 949 758	1 888 751	485 717	489 400	493 004	492 368	482 726	449 439	469 987	480 213
Manufacturing and mining	224 468	218 711	56 308	57 111	57 123	57 138	56 408	52 892	54 202	56 146
Production of other goods	358 099	360 060	88 706	89 928	91 460	89 775	89 197	87 669	90 131	91 619
Services incl. dwellings (households)	1 367 192	1 309 980	340 703	342 361	344 421	345 454	337 121	308 879	325 654	332 448
General government	655 748	650 848	162 701	163 441	164 338	165 262	162 994	156 450	164 180	167 189
Taxes and subsidies products	397 713	389 745	99 220	99 281	100 009	99 820	96 892	92 661	99 351	100 005

Source: Statistics Norway.

Table 8. National accounts: Final expenditure and gross domestic product. At constant 2018 prices. Percentage change from previous period

	Unadjusted		Seasonally adjusted							
	2019	2020	19.1	19.2	19.3	19.4	20.1	20.2	20.3	20.4
Final consumption expenditure of households and NPISHs	1,4	-7,6	0,5	0,2	0,4	-0,4	-4,3	-10,6	9,3	0,0
Household final consumption expenditure	1,3	-7,4	0,5	0,1	0,4	-0,4	-4,3	-10,2	9,4	-0,1
Goods	0,0	5,5	0,2	0,2	-0,3	-0,6	-2,2	6,1	5,9	0,7
Services	2,8	-11,8	1,1	0,5	0,7	0,9	-5,4	-17,8	12,3	0,6
Direct purchases abroad by resident households	0,9	-77,8	0,2	-2,2	2,3	-5,2	-16,2	-97,3	458,0	-44,6
Direct purchases by non-residents	4,2	-72,1	4,0	0,9	-0,5	5,1	-18,5	-89,4	96,4	43,8
Final consumption expenditure of NPISHs	3,0	-11,8	1,6	0,6	0,6	0,2	-3,6	-17,9	8,0	0,9
Final consumption expenditure of general government	1,9	1,7	1,0	0,7	0,6	0,7	0,3	-2,1	2,9	2,8
Final consumption expenditure of central government	1,9	2,8	1,1	0,8	0,6	0,7	1,3	-2,2	3,0	2,4
Central government, civilian	1,6	2,7	0,9	0,7	0,6	0,5	1,5	-2,6	3,2	2,6
Central government, defence	3,8	3,5	2,2	1,4	0,8	1,9	-0,3	1,0	1,2	1,1
Final consumption expenditure of local government	1,9	0,8	0,9	0,7	0,5	0,6	-0,7	-2,1	2,9	3,2
Gross fixed capital formation	4,8	-3,9	-2,0	4,2	3,0	-1,0	-3,9	-1,9	-0,8	0,9
Extraction and transport via pipelines	12,6	-4,9	-3,8	9,8	1,0	5,1	-5,5	-5,5	-3,2	0,1
Ocean transport	-68,2	79,8	-84,8	93,8	37,3	12,4	108,7	-90,7	665,5	-5,3
Mainland Norway	4,0	-3,9	-0,6	2,8	3,4	-2,5	-4,1	0,0	-1,0	1,1
Industries	5,6	-6,3	0,6	0,0	4,2	-0,5	-4,4	-5,8	0,6	2,5
Service activities incidential to extraction	38,7	-33,1	17,1	20,4	1,7	-4,0	-19,6	-8,5	-13,5	-29,8
Other services	3,5	-5,3	-0,9	-0,7	3,0	-1,7	-1,9	-8,3	2,9	6,2
Manufacturing and mining	24,4	-10,8	15,1	1,9	9,0	-0,2	-10,1	-7,4	1,7	-2,0
Production of other goods	-0,6	-4,4	-4,2	-0,1	4,0	2,3	-5,9	1,5	-4,9	-2,4
Dwellings (households)	-1,7	-4,0	-0,5	0,3	-0,1	-3,5	-2,2	0,4	-1,2	4,7
General government	7,2	-0,3	-2,6	9,8	5,4	-4,3	-5,3	8,5	-2,9	-3,9
Acquisitions less disposals of valuables	5,8	-60,1	10,4	-5,5	1,7	-0,4	-9,3	-86,5	229,0	-54,2
Changes in stocks and statistical discrepancies	-0,5	-16,1	7,7	-2,2	-4,9	-25,1	26,6	-46,6	71,0	-21,9
Gross capital formation	4,1	-5,6	-0,5	3,2	1,8	-4,4	-0,5	-8,3	5,2	-2,2
Final domestic use of goods and services	2,3	-4,7	0,3	1,2	0,9	-1,4	-2,0	-7,8	6,3	0,0
Final demand from Mainland Norway	2,1	-4,2	0,4	0,9	1,1	-0,6	-3,0	-5,8	5,0	1,0
Final demand from general government	2,9	1,3	0,3	2,4	1,5	-0,4	-0,9	-0,1	1,7	1,5
Total exports	0,5	-0,9	1,7	-1,6	-2,0	6,9	-1,7	-7,3	4,4	1,8
Traditional goods	4,6	-2,3	2,7	-2,3	-0,4	1,5	-2,6	-7,8	8,4	3,9
Crude oil and natural gas	-4,3	9,5	-2,6	-2,6	-4,2	16,3	-2,5	2,0	2,0	0,5
Ships, oil platforms and planes	1,4	-38,1	176,7	43,8	-43,0	-21,7	62,5	-49,5	12,4	-57,5
Services	3,5	-13,3	4,9	-0,8	1,1	0,8	-0,7	-19,8	3,7	2,9
Total use of goods and services	1,8	-3,6	0,7	0,4	0,1	0,9	-1,9	-7,6	5,8	0,6
Total imports	4,7	-12,2	3,3	1,1	0,3	-1,6	-3,5	-17,1	10,5	0,3
Traditional goods	5,7	-2,5	5,5	-0,9	-0,8	-1,9	-2,4	-7,2	12,7	1,8
Crude oil and natural gas	5,0	-12,8	-13,0	-0,6	47,2	-3,0	0,0	-29,3	-6,3	7,2
Ships, oil platforms and planes	-12,9	-2,1	-18,5	59,5	-7,9	-31,2	25,0	2,3	2,1	-16,9
Services	4,7	-29,3	2,1	1,1	0,9	1,7	-7,2	-35,0	7,6	-2,1
Gross domestic product (market prices)	0,9	-0,8	-0,1	0,2	0,0	1,7	-1,4	-4,6	4,5	0,6
[Gross domestic product Mainland Norway (market prices)	2,3	-2,5	0,4	0,6	0,7	0,0	-2,0	-5,9	5,0	1,9
Petroleum activities and ocean transport	-6,1	8,0	-2,9	-2,1	-3,9	11,2	1,2	1,8	2,0	-5,1
Mainland Norway (basic prices)	2,5	-2,5	0,4	0,7	0,7	0,0	-1,8	-6,2	4,7	2,1
Mainland Norway excluding general government	2,6	-3,1	0,2	0,8	0,7	-0,1	-2,0	-6,9	4,6	2,2
Manufacturing and mining	2,7	-2,6	-0,2	1,4	0,0	0,0	-1,3	-6,2	2,5	3,6
Production of other goods	1,5	0,5	-1,8	1,4	1,7	-1,8	-0,6	-1,7	2,8	1,7
Services incl. dwellings (households)	2,8	-4,2	0,8	0,5	0,6	0,3	-2,4	-8,4	5,4	2,1
General government	2,2	-0,7	0,9	0,5	0,5	0,6	-1,4	-4,0	4,9	1,8
Taxes and subsidies products	1,4	-2,0	0,7	0,1	0,7	-0,2	-2,9	-4,4	7,2	0,7

Source: Statistics Norway.

Table 9. National accounts: Final expenditure and gross domestic product. Price indices. 2018=100

	Unadjusted		Seasonally adjusted							
	2019	2020	19.1	19.2	19.3	19.4	20.1	20.2	20.3	20.4
Final consumption expenditure of households and NPISHs	102,3	103,9	101,5	101,9	102,3	103,1	103,5	103,8	104,0	104,1
Final consumption expenditure of general government	103,2	106,3	102,3	102,7	103,7	103,9	106,0	108,5	105,5	105,3
Gross fixed capital formation	102,6	105,8	101,8	102,6	102,8	103,2	104,5	106,5	105,8	106,6
Mainland Norway	102,4	104,9	102,1	102,3	102,5	102,8	103,9	105,1	105,1	105,4
Final domestic use of goods and services	102,5	105,0	101,8	101,7	102,4	103,7	104,6	104,6	104,3	106,3
Final demand from Mainland Norway	102,5	104,8	101,8	102,2	102,7	103,2	104,3	105,5	104,7	104,8
Total exports	95,6	82,0	97,7	96,1	94,0	94,1	88,4	76,2	80,9	82,6
Traditional goods	100,7	97,1	99,2	101,0	99,7	102,0	102,4	98,0	94,0	94,8
Total use of goods and services	100,5	98,3	100,6	100,1	100,1	100,9	99,8	96,3	97,5	99,3
Total imports	103,3	106,6	101,6	102,8	103,4	105,1	105,8	108,2	106,0	106,6
Traditional goods	102,5	106,7	101,1	102,2	102,5	103,9	105,3	108,9	106,5	106,4
Gross domestic product (market prices)	99,6	95,8	100,3	99,3	98,9	99,5	97,9	92,9	95,0	97,2
Gross domestic product Mainland Norway (market prices)	102,2	103,9	101,4	101,7	102,4	103,1	104,0	104,5	103,3	103,7

Source: Statistics Norway.

Table 10. National accounts: Final expenditure and gross domestic product. Price indices. Percentage change from previous period

	Unadjusted		Seasonally adjusted							
	2019	2020	19.1	19.2	19.3	19.4	20.1	20.2	20.3	20.4
Final consumption expenditure of households and NPISHs	2,3	1,6	0,4	0,4	0,4	0,8	0,5	0,3	0,2	0,1
Final consumption expenditure of general government	3,2	3,0	1,1	0,3	1,0	0,2	2,0	2,3	-2,7	-0,3
Gross fixed capital formation	2,6	3,2	0,5	0,7	0,2	0,4	1,2	1,9	-0,6	0,7
Mainland Norway	2,4	2,4	0,9	0,2	0,2	0,3	1,1	1,2	-0,1	0,4
Final domestic use of goods and services	2,5	2,5	0,7	-0,1	0,6	1,3	0,8	0,0	-0,3	1,9
Final demand from Mainland Norway	2,5	2,2	0,7	0,4	0,5	0,5	1,0	1,2	-0,8	0,1
Total exports	-4,4	-14,2	-3,7	-1,6	-2,2	0,2	-6,1	-13,8	6,2	2,1
Traditional goods	0,7	-3,5	-1,2	1,8	-1,3	2,3	0,4	-4,4	-4,0	0,8
Total use of goods and services	0,5	-2,2	-0,5	-0,5	-0,1	0,8	-1,1	-3,6	1,3	1,8
Total imports	3,3	3,2	0,7	1,1	0,7	1,6	0,7	2,3	-2,0	0,6
Traditional goods	2,5	4,1	0,2	1,0	0,3	1,3	1,3	3,5	-2,2	-0,2
Gross domestic product (market prices)	-0,4	-3,7	-0,9	-1,0	-0,3	0,6	-1,6	-5,1	2,2	2,3
Gross domestic product Mainland Norway (market prices)	2,2	1,6	0,0	0,3	0,7	0,7	0,9	0,5	-1,1	0,4

Source: Statistics Norway.

Table 11. Main economic indicators 2011-2024. Accounts and forecasts. Percentage change from previous year unless otherwise noted

											Forecasts			
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Demand and output														
Consumption in households etc.	2,4	3,5	2,8	2,1	2,7	1,1	2,2	1,6	1,4	-7,6	6,9	6,9	3,1	2,9
General government consumption	1,1	1,5	1,0	2,7	2,4	2,3	1,9	0,5	1,9	1,7	2,1	1,7	1,2	2,0
Gross fixed investment	7,5	7,5	6,3	-0,3	-4,0	3,9	2,6	2,2	4,8	-3,9	-0,2	0,8	3,1	2,2
Extraction and transport via pipelines	11,4	14,6	19,0	-1,8	-12,2	-16,0	-5,4	0,7	12,6	-4,9	-3,0	-6,0	10,0	4,0
Mainland Norway	5,0	7,4	2,9	0,4	-0,2	9,0	6,8	1,5	4,0	-3,9	0,2	2,3	1,6	1,8
Industries	1,1	10,5	-3,2	-0,7	-2,8	12,6	9,2	3,1	5,6	-6,3	-2,2	2,8	0,7	1,9
Housing	17,0	10,9	5,3	-1,4	3,2	6,6	7,3	-6,5	-1,7	-4,0	3,2	2,9	3,7	2,4
General government	1,1	-1,8	11,8	4,5	0,2	6,4	2,6	8,1	7,2	-0,3	1,1	1,1	1,1	1,1
Demand from Mainland Norway[1]	2,5	3,7	2,3	1,9	2,0	3,1	3,1	1,3	2,1	-4,2	4,0	4,4	2,3	2,4
Exports	-0,8	1,7	-1,8	3,4	4,3	1,1	1,7	-1,2	0,5	-0,9	3,3	6,7	4,1	2,1
Traditional goods	-0,1	-0,2	1,3	3,1	6,9	-8,6	1,7	1,5	4,6	-2,3	4,8	3,6	2,7	2,2
Crude oil and natural gas	-5,6	0,5	-5,5	2,7	2,1	4,9	5,1	-5,0	-4,3	9,5	2,6	5,8	4,1	0,9
Imports	3,9	2,9	5,0	2,0	1,9	2,7	1,9	1,4	4,7	-12,2	5,0	6,9	4,1	3,5
Traditional goods	4,6	2,2	1,8	1,9	2,8	-0,2	3,8	2,9	5,7	-2,5	3,7	2,7	1,8	2,5
Gross domestic product	1,0	2,7	1,0	2,0	2,0	1,1	2,3	1,1	0,9	-0,8	3,0	3,9	2,6	1,9
Mainland Norway	1,9	3,7	2,3	2,2	1,4	0,9	2,0	2,2	2,3	-2,5	3,3	3,6	2,4	2,2
Manufacturing	1,7	2,0	3,3	2,8	-4,6	-4,2	0,0	1,7	2,7	-2,6	5,7	1,0	1,6	1,4
Labour market														
Total hours worked. Mainland Norway	1,7	1,7	0,4	1,4	0,7	0,6	0,3	1,6	1,8	-2,2	2,4	1,7	0,7	1,4
Employed persons	1,4	2,0	1,1	1,0	0,5	0,3	1,2	1,6	1,6	-1,3	0,9	1,2	1,0	1,1
Labor force	1,3	1,5	1,2	0,7	1,5	0,2	-0,2	1,4	1,0	0,4	0,2	0,9	0,7	0,9
Participation rate (level)	71,5	71,4	71,2	70,7	71,0	70,4	69,7	70,2	70,5	70,4	70,2	70,6	70,9	71,1
Unemployment rate (level)	3,4	3,3	3,8	3,6	4,5	4,7	4,2	3,8	3,7	4,6	4,5	4,2	4,0	3,8
Prices and wages														
Wages per standard man-year	4,2	4,0	3,9	3,1	2,8	1,7	2,3	2,8	3,5	3,1	2,6	3,1	3,3	3,5
Consumer price index (CPI)	1,2	0,8	2,1	2,0	2,1	3,6	1,8	2,7	2,2	1,3	2,7	1,8	1,9	2,1
CPI-ATE[2]	0,9	1,2	1,6	2,4	2,7	3,0	1,4	1,6	2,2	3,0	2,1	1,7	2,0	1,9
Export prices. traditional goods	5,8	-1,9	2,7	3,4	2,0	4,0	5,2	6,2	0,7	-3,5	3,9	3,4	2,9	2,1
Import prices. traditional goods	4,0	0,3	1,4	4,3	4,6	1,7	3,5	4,6	2,5	4,1	0,5	0,7	1,2	1,2
Housing prices	8,0	6,8	4,0	2,7	6,1	7,0	5,0	1,4	2,5	3,9	9,2	3,5	2,8	2,5
Income. interest rates and excange rate														
Household real income	4,3	4,4	4,0	2,3	5,4	-1,6	2,0	1,0	2,3	1,7	2,3	2,6	2,4	2,5
Household saving ratio (level)	5,8	6,9	7,2	7,7	9,8	6,9	6,6	5,9	7,6	15,5	11,7	8,5	8,4	8,3
Norges Bank's policy rate (level)	2,9	2,2	1,8	1,7	1,3	1,1	0,9	1,1	1,6	0,7	0,5	1,1	1,6	1,8
Lending rate. credit loans(level)[3]	3,6	3,9	4,0	3,9	3,2	2,6	2,6	2,7	3,0	2,6	2,1	2,3	2,8	3,1
Real after-tax lending rate. banks (level)	1,3	2,1	0,7	0,8	0,1	-1,6	0,1	-0,7	0,2	0,7	-1,0	0,0	0,3	0,3
Importweighted krone exchange rate (44 countries)[4]	-2,4	-1,2	2,2	5,3	10,5	1,8	-0,8	0,1	2,9	6,7	-5,5	-0,2	0,0	0,0
NOK per euro (level)	7,8	7,5	7,8	8,4	9,0	9,3	9,3	9,6	9,9	10,7	10,2	10,2	10,2	10,2
Current account														
Current balance (bill. NOK)[5]	346	374	317	341	250	138	180	283	102	66	329	416	450	421
Current account (per cent of GDP)	12,4	12,6	10,3	10,8	8,0	4,5	5,5	8,0	2,8	1,9	8,6	10,2	10,5	9,5
International indicators														
Exports markets indicator	6,1	1,1	1,9	4,8	5,4	3,9	5,6	4,0	2,6	-8,8	10,6	7,9	4,8	4,2
Consumer price index. euro-area	2,7	2,5	1,4	0,4	0,2	0,2	1,5	1,8	1,2	0,3	1,5	1,5	1,9	2,0
Money market rate. euro(level)	1,4	0,6	0,2	0,2	0,0	-0,3	-0,3	-0,3	-0,4	-0,4	-0,6	-0,5	-0,3	0,0
Crude oil price US dollar (level)[6]	111	112	109	100	53	45	55	72	64	43	65	62	59	57
Crude oil price NOK (level)[6]	622	650	639	627	431	379	452	583	564	407	558	528	503	488

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

[2] CPI adjusted for tax changes and excluding energy products.

[3] Yearly average. Credit lines, secured on dwellings.

[4] Increasing index implies depreciation.

[5] Current account not adjusted for saving in pension funds.

[6] Average spot price Brent Blend.

Source: Statistics Norway. The cut-off date for information was March 10 2021.