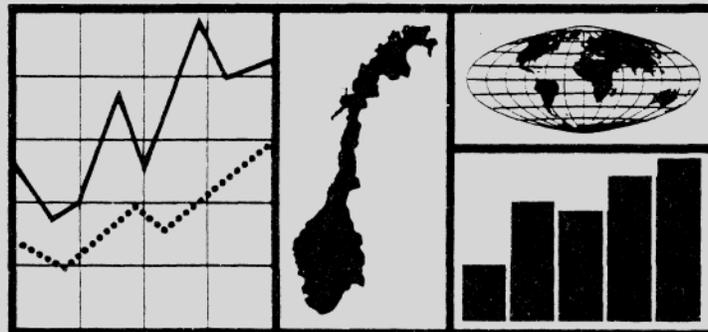


# Økonomiske analyser

NR. 1A — 1986



**Economic survey 1985**

Statistisk Sentralbyrå

Postboks 8131 Dep. N-0033 Oslo 1 – Tlf. (02) 41 38 20

## Økonomiske analyser

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## PREFACE

The present issue of Economic Survey contains a review of the Norwegian economy for 1985, and an calendar of economic events that year. The first preliminary national accounts figures for 1985, based on the quarterly national accounts system, are also presented. The quarterly calculations are carried out on a less detailed level than the annual national accounts. Especially for the last months of 1985, the calculations are to a large degree based on estimates and reported plans. The first, preliminary national accounts figures based on data for the year as a whole are scheduled to be published in Economic Analyses in April/May of this year.

The Economic Survey of 1985 has been prepared by the Research Department in the Central Bureau of Statistics. The cut-off date for information used in the publication was Tuesday, January 28th 1986.

## ECONOMIC REVIEW

### SUMMARY

The upturn in the Norwegian economy continued in 1985. For the year as a whole Gross Domestic Product (GDP) increased, according to provisional estimates, by 4.4 per cent from 1984 to 1985. GDP, excluding oil activities and shipping, increased at about the same rate. The strongest growth in value added was recorded in the service sectors and particularly in private services.

Disposable income for Norway increased by 5.6 per cent which approximately corresponded to the growth in net domestic product, inasmuch as the decline in the deficit on net interest and transfers from abroad was offset by an equivalent loss in terms of trade.

The driving forces behind the growth in production in 1985 have primarily been domestic factors. The main impetus underlying the upturn has clearly shifted in 1985 from export growth to growth in investment and particularly consumption. This is an entirely normal cyclical pattern, but the domestic growth impetus for the Norwegian economy has been unusually strong. The demand-generated upturn was further strengthened by a slight deceleration in inflation. This was primarily related to a continued falling price level internationally and the fact that Norway had idle resources domestically (labour and production capacity) at the beginning of the recovery. Petroleum income showed an unexpected strong growth up to and through

1985 as a result of the high dollar exchange rate and increased oil production. To the extent the increased petroleum earnings have influenced the domestic use of the income, this has given greater vigour to the upturn. Fiscal policy was relatively expansionary in 1985 with a substantial growth in transfers in particular, but the growth in expenditure on goods and services also increased in relation to 1984. The strong growth was made possible by this along with the liberalization of the credit market. At the beginning of 1986 there is still considerable momentum in the Norwegian economy.

There was a particularly high growth in private final consumption expenditure in 1985. This has resulted in a vigorous growth in the volume of imports. Exports passed a cyclical peak as early as the beginning of 1984 and have only generated a small impetus to growth since that time. This situation will probably change very little in 1986, but the contribution from the growth in investment will increase.

Unemployment was reduced sharply during 1985, but is still higher than at the beginning of the 1980's. There is reason to assume, however, that unemployment will decline further for some time in the period ahead.

The rate of price increase showed little change through 1985, but fell slightly at an annual rate. The consumer price index rose by 5.7 per cent from the preceding year. A lower rise in import prices, falling oil prices and a lower dollar exchange rate

through the year imply a somewhat slower growth in prices in 1986 unless the growth in wages picks up.

The current external account showed a record surplus of some Nkr 26 billion in 1985, according to provisional estimates. Norway's net foreign debt was reduced even more due to the decline in the dollar exchange rate.

#### The international economic situation

GNP/GDP growth in most European OECD countries as well as in the United States was about 2.5 per cent in 1985. The growth in Western Europe has remained approximately unchanged since 1984, and no major changes are expected for 1986. A rate of growth as low as 2.5 per cent is not sufficient to reduce unemployment which is projected to rise further in Western Europe in 1986. Economic growth in the U.S. in 1985 was noticeably lower than in the preceding two years, and the OECD forecasts that the moderate growth from 1985 will continue in 1986. The rise in consumer prices is expected to remain at a low level in the U.S., while it will fall in Western Europe, particularly in those countries which have a higher-than-average rise in consumer prices.

One uncertain factor which will influence developments in 1986 is the price of crude oil. If the price of crude oil should stabilize at a level about 20 per cent lower than the 1985-level, measured in dollars, the rise in consumer prices will be further reduced at the same time that maneuverability in the external economy will increase for a number of countries. This may entail that the OECD's growth forecast for 1986 - which is not based on recent developments on the crude oil market - may be a little too low.

#### Relatively expansionary economic policy

The authorities contributed in 1985 to amplifying the strong growth in domestic demand through a relatively expansionary economic policy. Transfers to the private sector and municipalities rose sharply again, but public expenditure on goods and services also showed a clear growth in real terms. At the same time, the high growth in nominal income in the private sector and higher car sales entailed that government revenue expanded considerably so that the surplus before loan transactions in the general government sector reached a record level.

The domestic credit supply was very high in 1985, particularly as a result of a sharp growth in lending from private banks. The growth in the level of domestic activity laid the basis for an increased demand for credit. Due to a further liberalization of the credit market and an interest rate policy which produced small changes in nominal interest rates, the higher demand had a direct effect on the actual credit supply. Nominal interest rates in Norway are now so high that it may be difficult to regulate capital imports.

#### Strong growth in consumption in 1985

Private final consumption expenditure expanded by 7.5 per cent from 1984 to 1985. This is the strongest growth since 1969 and higher than in the years 1980 - 1984 as a whole. About half of the GDP growth can - directly or indirectly - be traced to the growth in private consumption. In contrast to the period 1980 - 1984, the growth in the consumption of goods in 1985 was stronger than the growth in the consumption of services. The growth in purchases of durable

consumer goods, especially cars, was particularly strong. One must go back to 1977 to find a volume of new car purchases that approaches the level recorded in 1985.

The strong upswing in the consumption of goods - both durable and non-durable consumer goods - began in the 4th quarter of 1984. The growth in the consumption of goods has since then remained at a high level, and there were no signs of a slower rate of growth for the consumption of goods through 1985. The fact that the turnaround in the growth in consumption took place simultaneously for durable and non-durable consumer goods suggests that it is reasonable to point to general factors underlying the growth in consumption. Employment rose sharply and unemployment fell towards the end of 1984 at the same time that real wages increased markedly in the second half of 1984. Through 1985 this trend has persisted, and along with increased public transfers this has entailed that the real disposable income of households increased as much as 5.7 per cent, according to provisional estimates. This may to a large extent explain the growth in private consumption from 1984 to 1985. Somewhat more special factors, like the liberalization of the credit market resulting in a strong rise in credit in 1985, come in addition. Moreover, purchases of e.g. cars have been moderate for a number of years, a factor that has increased replacement needs. Along with an easier access to bank credit, this has resulted in a particularly strong growth in car purchases and purchases of durable consumer goods more generally. Developments may also have been influenced by a more optimistic view on the part of consumers concerning future income trends, partly as a result of lower unemployment and rising real wages. In total, the household sector's savings rate thus fell in 1985.

A continued high growth in the household sector's real disposable income can be envisaged for 1986. It is uncertain, however, how great an influence a tighter credit market and higher real interest rates will have on consumer demand. The growth in purchases of durable consumer goods will probably slacken noticeably, but a major decline is not very likely. Based on the strong growth in consumption towards the end of 1985, there is thus reason to expect private consumption to generate an impetus to growth again in 1986, albeit not to the same extent as in 1985.

Moderate investment growth in 1985 as a whole

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Total gross fixed capital formation increased, according to provisional estimates, by about 3 per cent from 1984 to 1985. Gross fixed capital formation, excluding oil activities and shipping, grew by some 3 per cent. Fixed investment in the oil sector and shipping fell sharply, but the decline was offset by an equivalent increase in stocks of ships and platforms in progress. Incurred investment in oil activities and shipping therefore rose in volume.

The underlying growth rate in gross investment for "Mainland Norway" was probably higher than indicated by the average annual growth of 3 per cent. This is due to climatic conditions around the end of 1984, entailing that capital expenditure projects, particularly in buildings and construction, were probably carried out earlier than planned. If the temporary investment decline in the 1st quarter is disregarded, investment has been moving on an upward trend since the cyclical trough was recorded in the 4th quarter of 1983. The level of investment at end-1985 was approximately on

a par with the investment peak in 1981.

The growth in investment varied substantially from one industry to another. In manufacturing and mining, the growth in investment was nearly 16 per cent from 1984 to 1985, and the growth will continue in 1986, probably reaching about the same level as in the last cyclical peak (1981). Housing investment fell slightly again in 1985 after having risen sharply from 1982 to 1984. Developments through 1985, however, may indicate that housing investment is increasing, a development which is also implied by the income growth of the household sector. Recent developments on the credit market and rising real interest rates, however, may change this.

Gross fixed capital formation in private services, which has risen sharply ever since 1983, showed continued growth in 1985. The level of activity in private services is partly linked to deliveries of services to the oil sector, and these increased sharply in 1985. This increase will continue in 1986.

Investment deliveries (incurred) to the oil sector rose about 3 per cent from 1984 to 1985. Service deliveries have increased sharply, and this growth will continue in 1986. Total investment deliveries to the oil sector may expand by about 15 per cent from 1985 to 1986. Along with a continued growth in manufacturing investment, this may generate strong demand pressures on sectors which produce capital goods in 1986. Some of these sectors experienced problems in finding qualified labour at the end of 1985, and this problem will be considerably amplified in 1986. It must therefore be assumed that imports of such goods will increase sharply again in 1986.

Stagnation in traditional merchandise exports

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Total exports grew in volume by nearly 5 per cent from 1984 to 1985. The growth in volume for exports of other goods was only 4 per cent. Through 1985 exports of other goods have shown clear signs of stagnation, and the growth for other goods from manufacturing has come to a complete halt. There are no signs of any major change in the growth rate in the various markets for traditional merchandise exports from 1985 to 1986. On the other hand, exports of oil will probably rise again in 1986 after total oil and gas exports showed a rise of about 4 per cent from 1984 to 1985. The export figures for 1985 are clearly influenced by a brisk growth in exports of second-hand ships as a result of registration abroad. This entailed that gross investment in the shipping sector was negative in 1985.

Strong growth in imports in 1985

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The strong growth in domestic use from 1984 to 1985 resulted in a sharp growth in imports. Total imports rose 7 per cent, while domestic use increased by 5.3 per cent. Traditional merchandise imports expanded as much as 12.6 per cent, a development largely related to the growth in the consumption of goods. Nearly half of the total growth in imports can be traced to private consumption directly or indirectly. There was again a considerable loss in market shares for producers of import-competing goods in 1985.

The deficit in the balance of trade for traditional goods rose sharply from 1984 to 1985. This is normal towards the end of a cyclical upturn when the growth in exports - which often leads in the recovery - is

curbed, while private consumption and investment rise sharply and result in a high growth in imports.

In the period ahead the growth in imports will continue to be high, but the growth will probably slow down somewhat. A strong growth in domestic demand and capacity problems will probably result in higher import shares again in 1986. Moreover, the loss of market shares may be amplified if the rise in costs is not curbed.

#### Output growth remains high

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Through the last two years gross domestic product, excluding oil activities and shipping, have shown a relatively stable rate of growth of about 4.5 per cent. The growth in manufacturing production continued in 1985, and even though output in export-oriented manufacturing sectors is now declining, the growth in import-competing manufacturing industry - particularly in the engineering industry linked to investment deliveries - is now so strong that the growth in total manufacturing production will continue in 1986, albeit at a somewhat slower rate. The shortage of qualified labour and idle production capacity will reduce the growth possibilities.

It was particularly in the service sectors, outside general government, that the output growth was high in 1985, and this growth will continue again in 1986. Even though the growth in wholesale and retail trade will taper off somewhat as a result of a lower growth in private consumption, parts of the other service sectors will benefit from the sharp growth in oil investments.

Oil production continued to expand again in 1985. The total production of oil and gas

in 1985 was far higher than assumed only a few years ago. While gas production was reduced in 1985 due to the sinking bottom on Ekofisk, oil production showed a clear increase, and the growth in oil production will continue in 1986 if the authorities do not introduce special measures to limit output. Gas production, on the other hand, will show little change from the level (seasonally-adjusted) recorded towards the end of 1985.

#### Strong growth in employment

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Unemployment fell considerably through 1985, and the growth in number of people employed and man-hours performed was very high.

According to the Central Bureau of Statistics' labour market survey, unemployment declined by about half a percentage point to 2.5 per cent from 1984 to 1985. Measured in number of man-years performed, the growth in employment was as high as 2.7 per cent from 1984 to 1985. It was particularly in the service sectors that employment gains were strong, but growth was also recorded in goods-producing industries where employment has fallen in recent years.

There was a brisk growth in the number of people employed in 1985, but as in 1984 there was also a growth in number of hours per employee due to a greater use of overtime and a shift to longer part-time employment. The increase in the labour force, by as much as 33 000 people or 1.6 per cent, helps to explain why unemployment did not fall more than it did in 1985. This increase must be viewed against the background of unusual small growth in the labour force in 1984, although the increase is not greater than what has been customary in years with a high growth in employment as

e.g. in 1977 and 1980.

#### Slow growth in productivity in 1985

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Labour productivity increased by only about 1.5 per cent in 1985, and the growth in GDP per employee man-year was only 1.3 per cent, approximately the same as the growth in productivity in total manufacturing. The sluggish growth in productivity is particularly pronounced in important service industries where, according to provisional estimates, almost no productivity gains were recorded at all. This is somewhat surprising inasmuch as experience indicates that there is a positive correlation between the growth in output and productivity in a cyclical upturn. Part of the explanation for this, however, may be the weak trend in investment for several years which has resulted in a low growth in real capital per man-year.

#### Stable rate of price increase through 1985

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Consumer prices rose by 5.7 per cent from 1984 to 1985, and the rate of inflation showed little change through the year. Import prices exhibited a relatively sharp increase in the first half of 1985 and resulted in a slight rise in inflation in the middle of the year. The growth in import prices slowed considerably towards the end of the year, partly because the after-effects of the devaluation in the second

half of 1984 no longer influenced growth. Import prices will probably rise substantially less in 1986 than in 1985 if the krone exchange rate does not show a sizeable decline. If the fall in the price of crude oil is excluded, it is now probable that the contribution from import prices to the total increase in consumer prices may be nearly reduced by half from 1985 to 1986.

The domestic cost situation has changed very little through 1985. It now appears that the growth in wages per man-year will average about 7.5 per cent from 1984 to 1985. Combined with productivity gains of about one per cent, this entails a growth in unit labour costs which is one per cent higher than the growth in consumer prices. The domestic cost trend in isolation thereby contributed to increasing the rise in prices in 1985. A slightly lower growth in wages seems probable in 1986, particularly if the rise in consumer prices slows somewhat as a result of lower import prices and lower energy prices. The contribution to the rise in prices from government-regulated prices, excluding agricultural prices, has been low in recent years, and this will continue into 1986. Approved changes in excise and subsidy rates, on the other hand, will make a greater contribution to the rise in prices in 1986 than was the case in 1985. In total, it is likely that the rise in prices in 1986 will be slightly lower than in 1985. A fall in oil prices will contribute further to this.

DEVELOPMENT IN SELECTED MACROECONOMIC VARIABLES 1)						
	Bill. Nkr 1984-prices		Growth in volume from same period previous year			
	1984	1985	1.85	2.85	3.85	85
Private final consumption expenditure 2) ..	208.0	223.7	6.0	6.4	8.5	7.5
Goods .....	137.1	148.7	6.2	7.2	9.8	8.4
Services .....	63.6	67.2	5.7	5.5	5.8	5.7
Norwegians' consumption abroad .....	13.0	14.2	9.1	8.0	6.4	9.2
- Foreigners' consumption in Norway .....	5.8	6.4	15.3	18.1	3.9	11.7
Government final consumption expenditure ..	84.0	86.7	3.2	3.2	3.2	3.2
Gross fixed capital formation .....	111.3	114.2	1.9	-2.7	1.5	2.7
Oil activities and shipping 3) .....	32.6	22.8	-29.9	-35.4	-16.4	-29.9
Mainland Norway .....	76.8	79.4	0.2	2.6	4.6	3.3
Manufacturing and mining .....	10.0	11.6	8.6	26.7	22.5	15.8
Production of other goods .....	15.4	15.5	3.5	6.4	-8.0	0.5
Other services .....	51.4	52.4	-1.9	-2.6	5.6	1.7
Stocks (figures for changes in bill.Nkr) 4)	1.9	12.0	(+1.8)	(+2.0)	(+0.9)	(+10.1)
Final domestic use of goods and services ..	403.3	424.6	4.3	3.3	5.3	5.3
- demand from Mainland Norway .....	368.8	389.8	4.2	4.9	6.5	5.7
Exports 2) .....	215.4	226.0	1.8	3.3	4.8	4.9
Traditional goods .....	69.5	72.5	3.5	7.1	6.1	3.8
Crude oil and natural gas .....	78.3	81.4	1.6	3.0	12.0	3.9
Ships and platforms .....	9.3	13.3	-6.7	-18.9	12.4	43.2
Services .....	58.3	59.1	1.4	4.0	-6.3	1.4
Total use of goods and services .....	618.7	650.6	3.4	3.3	5.1	5.2
Imports 2) .....	172.1	184.2	4.0	3.6	5.6	7.0
Traditional goods .....	106.8	120.3	14.0	7.5	11.4	12.6
Crude oil .....	3.5	2.8	-19.0	-60.9	36.0	-18.5
Ships and platforms .....	11.5	9.1	-49.8	24.6	-51.0	-20.7
Services .....	50.3	52.0	4.1	-1.8	7.9	3,3
Gross Domestic Product (GDP) .....	446.6	466.4	3.1	3.2	5.0	4.4
- excluding oil and shipping .....	344.7	360.0	3.4	3.8	4.5	4.5
Oil activities and shipping .....	101.9	106.4	2.2	1.3	6.6	4.4
Other activities .....	339.4	352.4	3.2	2.4	3.9	3.8
Manufacturing and mining .....	62.2	63.8	2.3	3.2	3.0	2.5
Other goods-producing industries .....	56.9	57.3	-0.2	-1.1	-0.8	0.6
Other services .....	220.3	231.3	4.3	2.9	5.7	5.0
Correction items (figures for changes in bill.Nkr) 5) .....	5.3	7.7	(+0.2)	(+1.1)	(+0.6)	(+2.4)

1) See technical comment next page.

2) The delimitation between the various groups of goods and services deviates from the classification in the national accounts/balance of payments.

3) Includes stocks of ships and oil platforms in progress.

4) Excludes ships and oil platforms in progress; platform modules in progress, however, have not been deducted. The figures for changes for 1985 are in bill. Nkr. and calculated in relation to investment in stocks in the same period the previous year.

5) Corrected for imputed bank service charge and calculation of certain excises. The figures for changes for 1985 are in bill. Nkr. and computed in relation to the value of the correction items in the same period the previous year.

## PRICE INDICES FOR SELECTED MACROECONOMIC VARIABLES

	Presentage change from same period previous year			
	1985	1.85.	2.85	3.85
	Private final consumption expenditure .....	6.1	6.4	6.3
Government final consumption expenditure ..	6.4	5.4	7.0	7.0
Gross fixed capital formation .....	6.9	6.8	7.3	6.1
Final domestic use of goods and services ..	6.4	6.3	6.7	6.2
Exports .....	5.4	12.1	9.9	1.3
Total use of goods and services .....	6.0	8.3	7.8	4.5
Imports .....	7.0	10.4	9.5	5.7
Gross Domestic Product (GDP) .....	5.7	7.6	7.2	4.1
- excluding oil and shipping .....	5.9	5.5	5.9	5.8

## TECHNICAL COMMENT ON THE QUARTERLY ACCOUNTS FIGURES

Quarterly calculations: The calculations are made on a less detailed level than the annual national accounts calculations and based on a simpler procedure. The quarterly national accounts figures for the years up to and including 1984 have been reconciled against the most recently published annual accounts figures. At the moment the Central Bureau of Statistics only has limited experience in judging the reliability of the calculations; figures on changes between quarters in particular should therefore be interpreted with caution. The quarterly national accounts are calculated as non-seasonally adjusted accounts in which an attempt is made to register actual transactions in each quarter. Many of the statistical series therefore show clear seasonal variations.

Gross fixed capital formation: Total gross fixed capital formation is heavily influenced by the major fluctuations in investment in oil activities. These fluctuations are partly due to the fact that platforms which have been in progress for several years are counted as investment in the quarter and with the capital value they have at the time they are towed out to the field.

Government consumption and investment: At the moment the Central Bureau of Statistics does not have a statistical basis for distributing the government sector's purchases of goods and services over the year. Until such material is available, it has been decided to distribute this expenditure evenly, with a fourth for each quarter. To the extent there has actually been a growth in expenditure through the year, the method will result in too high a growth at the turn of the year and too weak a growth through the year.

## ECONOMIC POLICY

When the National Budget for 1985 was presented in the autumn of 1984, the Norwegian economy was experiencing growth in production and employment, a slower rise in prices and tendencies towards lower unemployment. When drawing up the economic programme, the Government assumed that the external economy would continue to generate an impetus to growth for the Norwegian economy, in spite of a projected slowdown in the international recovery. One of the main goals was to avoid a further deterioration in competitiveness. The most important elements in the programme were a slow growth in government expenditure, real reductions in personal and company taxation, a continued liberalization of the credit market and measures to limit youth unemployment through higher appropriations for the establishment of new apprenticeship contracts and additional secondary school and university places.

## Fiscal policy

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The fiscal policy programme aimed at a nominal growth of 8.4 per cent in total expenditure for the fiscal and social security budget. In particular, the plans called for high growth in transfers to the private sector and municipalities, but there was also to be a certain growth in real terms in central government expenditure on goods and services. During the budget debate and vote in the Storting, the estimate for total expenditure was revised upwards by Nkr 6.7 billion, primarily due to new budgeting and accounting methods for recording central government participation in petroleum activity.

Provisional estimates indicate that central government expenditure rose more than expected

in 1985. There appears to have been a real growth of 3-4 per cent in central government expenditure on goods and services from 1984 to 1985, while transfers increased in nominal terms by about 12 per cent.

In the Final Budget Proposal for the 1986 budget it was estimated that total fiscal budget revenue would increase by 14.4 per cent from 1984 to 1985. The revenue estimate for 1985 is thus some Nkr 20 billion higher than the estimate provided one year earlier. About half of the upward revision can be ascribed to the increase in the estimate for paid taxes and royalties from the production of petroleum. In addition, the sharp growth in domestic demand, production and nominal incomes has entailed that payments of other taxes and excises have also been higher than assumed. Among other things, the change in the composition of private consumption has entailed that tax receipts from special excise duties have been substantially higher than projected.

The tax and excise programme for 1985 aimed at real reductions in personal and company taxation. The reduction in personal taxation was carried out, inter alia, by increasing the threshold limits in the ordinary income tax and reducing, at the same time, the marginal tax rates by 0.5 percentage points. The rates for family allowances and tax relief for taxpayers with children were raised by an average 8.3 and 12.9 per cent, respectively. In order to improve the financial situation of the National Insurance Scheme the rates for members' social security premiums were increased by 0.4 percentage points at the same time that the rate for contributions to the Tax Equalization Fund was reduced by 0.5 percentage points. The real reduction in personal and family taxation can be estimated at about Nkr 680 million.

The reduction in company taxation was implemented by increasing the deduction for payments of membership fees to professional organizations and raising the maximum rate for allocations to a consolidation fund from 20 to 22 per cent. The rates for employers' contribution to social security schemes were reduced by 1 percentage point in tax zone 4 and by 0.5 percentage points in tax zone 3.

The national wealth tax was reduced for both joint-stock companies and individuals. The tax rates for joint-stock companies, etc. were reduced by 0.1 percentage points, while the threshold limits for the wealth tax for individuals were increased by 10 per cent in tax class 1 and slightly more in tax class 2.

#### Credit policy

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The efforts aimed at phasing out direct regulations and instead basing the management of the credit market on more indirect means were continued in 1985. As from January 1985 the commercial and savings banks' bond investment obligation and the stipulation of quotas for bond issues by credit enterprises for the financing of the business sector were abolished. With effect from July 1st the investment obligation for life insurance companies and pension funds was also abolished. On September 24th the arrangement involving an administrative stipulation of interest rates for loans from banks and insurance companies, the so-called interest rate declaration, was suspended.

New instruments were applied in monetary policy in 1985 through the establishment of a market for short-term bearer paper - certificates. At the moment the certificates have a maturity of up to 1 year and can be issued by the central government,

banks, financing companies and private and public enterprises. The issuance of Treasury certificates and the Bank of Norway's operations in the secondary market were intended to be key instruments in the management of short-term liquidity. In the first 11 months of 1985 gross issues of certificates totalled Nkr 39 billion, of which Treasury certificates accounted for Nkr 31 billion. At the end of November outstanding holdings of certificates amounted to Nkr 13 billion.

Since the credit supply in 1984 was considerably higher than presupposed, the Government's plans in the National Budget for 1985 called for a reduction in both the credit supply and money supply growth. In particular, there was a need to curb the demand for loans and the lending growth of the commercial and savings banks, and it was emphasized that the authorities would conduct a flexible interest rate policy to achieve this.

The domestic credit supply to the private sector and municipalities amounted to some Nkr 61 billion in 1984, or about Nkr 20 billion more than in 1983. The plans called for a domestic credit supply of Nkr 49 billion in 1985. Due to the strong growth in commercial and savings bank lending, the estimate for 1985 was raised to about Nkr 65 billion in the National Budget for 1986. This presupposed, however, a clear deceleration in lending growth in the last part of the year, which did not materialize. It thus now appears that the domestic credit supply has shown a considerably strong growth again from 1984 to 1985 than assumed by the authorities.

The strong expansion in credit has been stressed as an important reason for the sharp growth in demand in 1985 and as a

possible source for a higher rate of inflation in the period ahead. Developments in 1985, however, may also be influenced by special factors which make it difficult to interpret the figures for the credit supply and which, it seems reasonable to assume, will not be of the same importance in 1986. We must assume that the strict regulations which have been in effect on the credit market at times have set effective limits as to how households and companies have adapted their assets and their debts. The composition of their financial capital has thus been different from what would have been the case with an unrestricted adaptation to prevailing interest rates and tax rules. Among other things, we must assume that the enterprises' weighing of considerations between borrowing to finance investment and financing investment with self-generated funds has been influenced. With the gradual removal of regulations in the course of the last two years, it is thus not surprising that we experience a period in which both assets and liabilities show relatively major changes. The process of liberalization has laid the basis for a better composition of investment in real capital and thereby allowed for a more effective utilization of production resources. At the same time, it has made it possible, to a greater extent than previously, to exploit the economic gains that can be achieved by borrowing to finance financial investments in which the yield is subject to special tax treatment. There is also reason to assume that some of the special measures to stimulate saving which have been introduced, providing a very high yield and low risk, have been used in such a way that the household sector has increased its debts.

The transgression of credit targets in recent years is particularly due to the substantially higher growth in lending by

the commercial and savings banks than expected. During the first 11 months of 1985 lending thus increased by Nkr 42.3 billion, or nearly 26 per cent of total lending at the beginning of the year. For the sake of comparison, the lending growth for 1985 as a whole was estimated at Nkr 35 billion in the National Budget for 1986 - an upward revision of Nkr 16 billion from earlier estimates. Altogether, the lending growth in 1985 may thus have been more than 2 1/2 times the level which was originally assumed for the Government's economic programme for 1985.

In order to curb the growth in the credit supply the primary reserve requirement for banks and financing companies in the southern part of Norway was increased to 11 per cent with effect from February 1st 1985. This entailed an increase of 1 percentage point for the banks and 4 percentage points for the financing companies. As from July 1st the reserve requirement was raised to 15 per cent for banks in the southern part of Norway. At the same time, the basis of calculation was reduced to link this more closely to the banks' extension of credit to the private sector and municipalities.

A favourable tax treatment of saving in the form of insurance has entailed that the life insurance companies have recorded a sharp increase in their inflow of funds in recent years. This has provided a basis for a steep growth in lending. In the National Budget for 1986 lending by life insurance companies and pension funds was estimated to rise by Nkr 7 billion in 1985. This corresponds to an increase of 22 per cent in total loans outstanding in the course of the year.

The nominal interest rate level showed little change in 1985. As a result of a

continued slower rise in prices, the real interest rate before taxes thereby increased for most types of loans. After the interest rate declaration was abolished in the autumn of 1985, it is the intention that the interest rate in the money market shall be a "signal interest rate" for short-term lending rates, while the interest rate on the bond market shall be determinative for changes in long-term lending rates. These interest rates will be influenced by the stipulation of terms for new issues of Treasury certificates and government bonds as well as through the Bank of Norway's sales and purchases of such paper in the secondary market.

Within a market-oriented credit policy it is not possible to have strict targets linked to both the interest rate level and the credit supply at the same time. Even though the interest rate level in Norway, especially in nominal terms but also in real terms, is high compared with other countries, the real interest rate after taxes remains very low for many borrowers. Without changes in the tax rules, or expectations of such changes, we must assume that the public will want to have sizeable debts in the years ahead as well. At the same time, a high nominal interest rate level in Norway will make it profitable for foreigners and Norwegian companies, which on a relatively unrestricted basis can carry out financial transactions in foreign currency, to undertake financial placements in Norway. This may in the event entail that the authorities lose control over liquidity developments. In spite of the regulations that were introduced in the autumn of 1984 for ingoing capital movements, there is probably a limit as to how high Norway's interest rate level can be before capital flows find new channels. This lack of scope for manoeuvre in interest rate policy, which

among other things is related to the tax system, is at the moment an important barrier to a more market-oriented monetary and credit policy in Norway.

#### Fiscal policy indicators

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The consequences of economic policy and other factors which influence economic developments may be observed from such indicators as employment, the current external balance, the rise in prices, growth in incomes, etc. The development in these indicators in 1985 is discussed elsewhere in this survey. When assessing how economic policy affects the activity in the economy, considerable emphasis is often placed on so-called fiscal policy indicators such as the surplus before loan transactions, the level of government consumption and investment and the liquidity supply to the public (money supply growth). These isolated indicators may be useful for certain purposes, but must necessarily give an extremely summary indication of the effects of the economic policy. In addition, regular changes in accounting principles have made it more difficult to assess the movement of the indicators over time.

The surplus before loan transactions in the general government sector (including tax collectors' accounts) was about Nkr 28 billion in 1985, according to preliminary and uncertain estimates. If expenditure for central government petroleum activity is excluded, the surplus was about Nkr 36 billion. This corresponds to 7.3 per cent of gross domestic product, as against 5.7 per cent in 1984. When evaluating the effect of the budget surplus on domestic demand, oil taxes are often excluded because it is assumed that an increase in the taxation of oil companies has only a small

influence on the level of domestic demand. The same applies to financial transactions between the public sector and abroad. When central government expenditure for petroleum activity, transfers from the Bank of Norway, oil taxes, and net interest expenditure and transfers abroad, are excluded from the budget surplus, there was in 1985 a deficit before loan transactions in the general government sector which, on an uncertain basis, is estimated at about Nkr 10 billion, or Nkr 5 billion less than the preceding year. Measured as a share of GDP, excluding oil activities and shipping, this adjusted deficit was 2.6 per cent, as against 4.3 per cent in 1984. In 1985, there was a strong growth in production, incomes and domestic demand which to a large extent is related to the cyclical phase being experienced by Norway. Through built-in stabilizing elements in the tax system, this growth has resulted in a sharp growth in revenue for the public sector.

The shifts in the composition of demand towards goods subject to high excise taxes as e.g. cars have also pulled in the same direction. This has resulted in a lower adjusted deficit in the general government sector in 1985 than in the preceding year.

Consumption and gross fixed capital formation in the general government sector as a share of the final domestic use of goods and services can be estimated at about 24 per cent in 1985, which is slightly lower than in 1984. The growth in government consumption and gross fixed capital formation, however, was somewhat higher in 1985 than in the preceding year.

The growth in the public's liquidity - the money supply - summarizes the liquidity effect of fiscal policy, the domestic credit supply and the development in the balance of

payments. The growth in liquidity can be divided into the supply from the central government sector, private banks and the public's foreign currency transactions. In the National Budget for 1986 the growth in the public's liquidity in 1985 was estimated at 13.5 per cent as compared with as much as 19.9 per cent in 1984. Provisional estimates indicate, however, that the growth in 1985 will be somewhat higher than previously assumed due to the development in bank lending. Compared with 1984 the contribution to growth from both the central government sector and from the public's foreign currency transactions is estimated to be lower in 1985.

The review of the three fiscal policy indicators gives an impression that fiscal policy was less expansionary in 1985 than in the preceding year. As noted, however, any evaluation should be based on the most important elements in the economic policy. The authorities have helped to make the high growth in domestic demand possible in 1985 through, inter alia, reduced tax rates, moderate increases in excise duties, a market-oriented credit policy and a relatively sizeable increase in government transfers. With this as a starting point, the policy must none the less be characterized as quite expansionary.

#### PRODUCTION

Norway's gross domestic product in 1985 is provisionally estimated at nearly Nkr 493 billion. The output growth from 1984 continued in 1985. The growth in GDP is estimated at 4.4 per cent in 1985, as against 3.8 per cent in 1984. In 1984, the gross product of the oil sector and shipping grew as much as 8 per cent, and thus contributed to boosting GDP growth. In

1985, the growth in these sectors was about the same as for total GDP. The growth in GDP in 1985, excluding oil activities and shipping, was 4.5 per cent, as against 2.7 per cent one year earlier.

The gross product of the shipping sector showed a growth for the first time in several years, rising by an estimated 4.2 per cent. Within the oil sector, oil drilling recorded the weakest trend with a decline of 15.8 per cent, while pipeline transport fell by 5.3 per cent. The dominating sub-group, production of crude oil and natural gas, expanded on the other hand by 6 per cent.

As in 1984, the gross product of the manufacturing sector rose more slowly than GDP last year. The increase in 1985 for total manufacturing was 2.6 per cent, approximately equal to the growth in 1984. While export-oriented manufacturing sectors accounted for much of the growth in 1984, it appears that this manufacturing group registered a slight drop in production in 1985. Import-competing manufacturing, on the other hand, showed a growth of 4.3 per cent. If we disregard shipbuilding, which recorded a decline in gross product again in 1985, the growth in import-competing manufacturing was as high as 5.6 per cent. This can largely be explained by the sharp rise in investment, and particularly investment in connection with oil activities in the North Sea.

The production growth for primary industries (agriculture, forestry and fishing), which was as high as 5 per cent in 1984, was 2.3 per cent in 1985. As in 1984, the growth in crop production made the greatest contribution to growth, while the gross product of the fishing sector fell slightly, primarily as a result of a limited supply of

Gross domestic product by kind of economic activity. Percentage change in volume from previous year.

	1984	1985
Primary industries .....	5.0	2.3
Production and pipeline transport of crude oil and natural gas .....	11.3	5.3
Manufacturing and mining .....	2.5	2.5
Sheltered manufacturing .....	0.0	1.3
Export-oriented manufacturing	10.0	-0.2
Import-competing manufacturing	-0.1	4.3
Electricity supply .....	0.4	-3.3
Construction .....	-0.4	2.5
Wholesale and retail trade .....	3.4	4.6
Shipping and oil drilling .....	-4.4	-1.8
Transport and communications ...	4.7	5.4
Housing services .....	3.5	3.8
Other private services .....	1.8	7.2
Producers of government services	3.2	3.1
Gross domestic product .....	3.8	4.4
- excluding oil and shipping .	2.7	4.5

resources.

The investment upturn also resulted in a growth in the construction sector last year, provisionally estimated at 2.5 per cent. The gross product of the electricity supply sector, on the other hand, fell 3.3 per cent.

The rate of growth in service industries also increased in 1985. This particularly applied to the sector "other private services" (including business services), where the gross product expanded as much as 7.2 per cent from 1984 to 1985. The gross product of the general government sector grew by 3.1 per cent, approximately the same as the growth in 1984.

### Oil production and pipeline transport

Oil and gas production totalled 65.1 million tons oil equivalents (toe) in 1985, with crude oil accounting for 38.4 million toe and natural gas 26.7 million toe. In total, output rose by 4.1 per cent from 1984 to 1985. Oil production advanced 9.6 per cent, while gas production showed a decline of 3 per cent.

The increase in oil production particularly took place on the Statfjord field where the C platform became operational at the beginning of the second half of 1985. Production on the Statfjord field increased by 29 per cent from 1984 to 1985. The field, which is the North Sea's largest oil-producing field, recorded an average production of more than 700 000 barrels a day in the 4th quarter of 1985. The Norwegian share of the field accounted for nearly 70 per cent of Norway's total oil production in the same period.

Oil production on the Ekofisk field, on the other hand, fell by 9.7 per cent from 1984 to 1985. Production on Ekofisk has tapered off since 1980, and the decline last year was of the same magnitude as in recent years. The field none the less accounted for about 27 per cent of total oil production on the Norwegian continental shelf.

In total, Norway's oil production has exhibited a strong growth through 1985, and production in the 4th quarter was about 900 000 barrels a day. This corresponds to the official production quota which Kuwait has as a member of OPEC.

If the production in the 4th quarter of 1985 is maintained through 1986, oil output will expand by 13 per cent from 1985 to 1986. This is equivalent to an oil production of more than 43 million toe in 1986. Maintenance

work and a continued fall in production on the Ekofisk field, however, will reduce this figure slightly. The Ula field will come on stream towards the end of the year, but is not expected to boost production significantly in 1986.

The decline in gas production is primarily due to a reduction in deliveries from Ekofisk. In 1985, it was established that the seabed under the Ekofisk centre had sunk considerably and continued to sink rapidly. An agreement was concluded with gas buyers on the continent for reducing deliveries by an average 25 per cent over a two-year

### Production of crude oil and natural gas by field in 1985

	Pro- duction in 1984	Pro- duction in 1985	Share of total produc- tion in 1985
	Mill. toe		Per cent
<b>Ekofisk</b>			
- oil .....	11.5	10.4	16.0
- gas .....	13.0	11.7	17.9
<b>Frigg</b>			
- oil .....	0.0	0.1	0.1
- gas .....	13.7	13.7	21.0
<b>Statfjord</b>			
- oil .....	18.6	24.0	36.9
- gas .....	0.2	0.8	1.1
<b>Murchison</b>			
- oil .....	2.4	1.4	2.2
- gas .....	0.1	0.1	0.1
<b>Valhall</b>			
- oil .....	2.4	2.5	3.8
- gas .....	0.5	0.4	0.7
<b>Total .....</b>	<b>62.5</b>	<b>65.1</b>	<b>100.0</b>

period in order to be able to pump more of the gas back into the reservoir and thus maintain the pressure.

Gas production on the Frigg field remained virtually unchanged from 1984 to 1985. The Frigg field produced 13.7 million toe gas in 1985, equivalent to about 50 per cent of Norway's gas production.

The prospects for Norway's gas production this year will be marked by the reduction in deliveries from Ekofisk. The deliveries from Statfjord and Heimdal, however, will compensate for this. The first deliveries of Statfjord gas to the continent have started, and the Heimdal gas field will come on stream early in 1986. Norway's gas production will therefore probably be close to unchanged from 1985 to 1986. In total, this entails that oil and gas production on the Norwegian shelf may approach 70 million toe in 1986.

The gross production in the pipeline transport sector was reduced by 5.3 per cent at constant prices from 1984 to 1985. This decline reflects the reduction in gas production on the Norwegian shelf in 1985.

#### THE LABOUR MARKET

Developments on the labour market in 1985 were marked by a sharp growth in employment and a clear decline in unemployment. The number of man-years worked grew by 2.7 per cent, and this is the highest growth in employment in one year since the reconstruction period after the war. Just about all of the employment growth in 1985 took place in service industries, and was a direct result of the strong expansion in domestic demand. Employment in manufacturing rose for the first time since 1977.

As in 1984, the growth in number of man-years worked can be ascribed to an increase in both the number of people employed and in average hours worked. 1984 and 1985 thus represent a break with the trend towards increasingly lower working hours which has taken place since the 1960's. This is related to increased working hours for women employed part-time and a greater use of overtime in expanding industries.

The clear growth in the number of people employed, however, was the most important factor underlying the growth in man-years from 1984 to 1985. Following a relatively weak trend in each of the years since 1980, the number of people employed rose, according to the labour market surveys, by 42 000, or 2.1 per cent as an annual average. Most of the growth in employment applied to women and young people in the age group 16-24 years.

Some of the growth in employment also benefited men, and it was primarily among adult males that unemployment declined in 1985. Measured as an annual average, there were altogether 51 000 job-seekers without income from work. This corresponded to 2.5 per cent of the labour force, as against 3.0 per cent in 1984.

Man-years worked, people in the labour force, employed and job-seekers without income from work (1 000)

		Change from
	1985	1984
Labour force .....	2 064	33
Employed .....	2 012	42
Job-seekers .....	51	-10
Man-years worked .....	1 774	47

Employment. 1 000 man-years worked

	1985	Change from 1984	
		Absolute	Per cent
<u>Industries</u> .....	1 353.1	34.6	2.6
Primary			
industries ...	126.1	-0.3	-0.2
Oil and gas			
production			
and pipeline			
transport ....	11.9	1.4	13.3
Manufacturing			
and mining ...	343.1	3.8	1.1
- sheltered ..	92.6	0.2	0.2
- export-			
oriented ...	55.3	0.1	0.2
- import-			
competing ..	195.2	3.5	1.8
Electricity and			
water supply .	18.8	0.1	0.5
Construction ...	134.7	1.8	1.3
Wholesale and			
retail trade .	241.4	10.5	4.5
Shipping and oil			
drilling .....	42.9	-0.8	-1.8
Other transport			
and communi-			
cations .....	132.3	1.4	1.1
Business			
services .....	63.0	6.4	11.3
Other private			
services .....	238.9	10.3	4.5
<u>Producers of</u>			
<u>government</u>			
<u>services</u>	421.1	12.0	2.9
Central			
government ...	141.2	2.0	1.4
Local government	279.9	10.0	3.7
<u>Employment</u>			
total .....	1 774.2	46.6	2.7
- excluding oil			
and shipping.	1 719.4	46.0	2.7

The labour force grew by altogether 33 000 people in 1985 following a relatively sluggish growth in 1984. The increase in 1985 was slightly greater than in the years 1981 - 1983, but not quite as strong as in 1980 when, as in 1985, there was also a substantial increase in the demand for labour. It was particularly among women and young people in the age group 16-24 that the labour force exhibited a clear growth in 1985.

The growth in employment and decline in unemployment were in evidence throughout 1985. When account is taken of normal seasonal variations, it appears that the trend in the second half of the year was particularly favourable. At end-December, 42 700 people were registered as unemployed at the employment offices, a decline of 22 200 from the same month one year earlier. Even though the favourable trend is expected to continue into 1986, the growth in employment and fall in unemployment are not likely to be as strong as in 1985.

#### PRICES AND WAGES

The rise in prices in Norway was lower in 1985 than in the preceding year. The increase in the price index for gross domestic product was 5.7 per cent, a decline from 7.2 per cent in 1984.

Among the various aggregates in the national accounts, the decline in the rate of price increase was particularly strong for exports. This has partly due to a levelling off and fall in nominal oil and gas prices on the world market, and partly a general economic slowdown internationally which has resulted in a price fall for a number of traditional export goods. An important reason why the rise in export prices is now

considerably lower than for imports is that oil and petroleum products account for a considerably higher share of exports than imports. The fall in oil prices has therefore influenced the price of total exports more than total imports.

The Norwegian krone was devalued in the second half of 1984. The exchange rate for the Norwegian krone in 1985 has thus been about 2 1/4 per cent below the level in 1984 compared with a weighted average of exchange rates for trading partners (currency basket). This has particularly contributed to a higher rise in import prices, but also to higher export prices to some extent, and resulted in a steeper rise in prices in Norway in 1985 than would otherwise have been the case.

Price indices for main items of the national accounts. Percentage change from previous year.

	1984 1)	1985 2)
Gross domestic product ..	7.2	5.7
Imports .....	6.6	7.0
Private final consumption expenditure .....	6.6	6.1
Government final consumption expenditure .....	5.2	6.4
Gross fixed capital formation .....	3.3	7.3
Exports .....	11.2	5.4

1) Base year 1980.

2) Base year 1984.

The wage settlement between the Norwegian Federation of Trade Unions and the Norwegian Employers' Confederation ended with no

general pay increases in 1984. But the cyclical upturn, which spread to sheltered manufacturing sectors and services later in 1985, has resulted in a high wage drift. The growth in wages in manufacturing and private services was thus only slightly lower than in 1984.

#### INCOMES

In the national accounts factor income, which shall indicate the incomes accruing to labour and capital, is computed for each industry. Factor income is calculated on the basis of an indirect method, as gross product less depreciation and net indirect taxes, and after deducting the compensation of employees gives the operation surplus as a residual.

Preliminary estimates show that total factor income increased by Nkr 36.3 billion from 1984 to 1985, entailing a growth of nearly 11 per cent, or about the same as in the preceding year. The preliminary figures are subject to considerable uncertainty, and this can have a major effect on items obtained as residuals such as factor income, operating surplus and saving. The preliminary figures for the last few years demonstrate that there can be sizeable deviations from final figures.

The operating surplus does not give an indication of profitability in a business sense, particularly because it also includes direct taxes and financial costs. The estimates show that total operating surplus advanced by 11.2 per cent from 1984 to 1985 as against 17.5 per cent the preceding year. Total compensation of employees rose by 10.8 per cent from 1984 to 1985 as compared with 8.3 per cent one year earlier. The increase was somewhat higher in industries, with the

## Gross domestic product by distributive shares.

	1985 Bill. Nkr.	Per- centage change from 1984
Gross domestic product ..	492.8	10.3
Consumption of fixed capital .....	68.6	5.7
Indirect taxes, net ...	55.7	12.7
Factor income .....	368.5	10.9
Compensation of employees .....	237.9	10.8
Operating surplus .....	130.6	11.2

number of employee man-years rising 3.2 per cent and wage costs per man-year increasing 7.6 per cent.

## Compensation of employees

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Preliminary estimates indicate that the growth in compensation of employees was highest in oil activities and business services, 21.2 per cent and 23.3 per cent, respectively, largely as a result of the strong rise in employment here. The increase in compensation of employees in manufacturing was lower than the average for industries but showed a higher percentage growth than the increase in factor income in manufacturing. For the service industries, with the exception of the general government sector and transport and communications, the rise in wage costs was greater than the average. This primarily reflects the fact that the rise in employment was greatest in the services industries. All total, compensation of employees in industries amounted

## Compensation of employees by kind of economic activity.

	1985 N.kr	Per- centage change from 1984
Primary industries .....	1.7	7.0
Production and pipeline transport of crude oil and natural gas .....	4.5	21.2
Manufacturing and mining ....	49.8	9.1
Sheltered manufacturing ...	11.9	8.3
Export-oriented manufacturing .....	9.3	9.2
Import-competing manufacturing .....	28.5	9.5
Electricity supply .....	3.1	7.9
Construction .....	17.2	9.4
Wholesale and retail trade ..	30.8	13.5
Shipping and oil drilling ...	9.1	4.5
Transport and communications	19.3	7.8
Housing services .....	0.3	12.7
Other private services .....	38.2	15.3
Producers of government services .....	63.8	10.0
Compensation of employees, total .....	237.9	10.8
- excluding oil and shipping	224.3	10.9

to about 57 per cent of total factor income, the same share as in 1984.

## Operating surplus

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The operating surplus in manufacturing and mining fell by 11.5 per cent to Nkr 11.2 billion from the record level recorded in 1984. The operating surplus for 1985 was

Operating surplus by kind of economic activity.

	Percentage	
	1985	1984
	Bill. N.kr	from
		1984
Primary industries .....	16.1	21.9
Production and pipeline transport of crude oil and natural gas .....	61.7	12.3
Manufacturing and mining ....	11.2	-11.5
Sheltered manufacturing ...	2.0	-12.4
Export-oriented manufacturing .....	4.4	-24.1
Import-competing manufacturing .....	4.9	4.6
Electricity supply .....	7.4	10.9
Construction.....	2.4	36.3
Wholesale and retail trade ..	9.0	0.9
Shipping and oil drilling ...	-1.4	..
Transport and communications	-0.8	..
Housing services .....	11.6	9.1
Other private services .....	31.0	11.3
Correction sectors .....	-17.5	4.8
Producers of government services .....	-	-
Operating surplus, total ....	130.6	11.2
- excluding oil and shipping	70.3	8.9

nonetheless more than 15 per cent higher than in 1983. The decline from 1984 to 1985 seems to have been greatest for export-oriented manufacturing sectors, with a reduction of 24.1 per cent following a doubling of the surplus the preceding year. The operating surplus for import-competing manufacturing increased in 1985, but was still lower than the level in 1982. The increase in the operating surplus was

particularly strong in the primary industries and the construction sector. In oil activities, which account for 43 per cent of the total operating surplus, the growth was 12.3 per cent. The increase was also strong in private services - 17.1 per cent - and where business services, according to preliminary estimates, recorded such a sharp growth that the operating surplus in 1985 had reached the same level as manufacturing industry's operating surplus.

Disposable income and saving for Norway

While the gross domestic product for Norway is an indication of the total value added which has taken place during the year, disposable income for Norway shows how much of the value added the country has available for consumption and saving. Disposable income for Norway is obtained by deducting consumption of fixed capital transfers to abroad, in the form of interest, share dividends and transfers, from gross domestic product at current prices.

Preliminary estimates for 1985 show that disposable income for Norway expanded by Nkr 45 billion, or 12.4 per cent. When deflated by the national accounts price index for the net domestic use of goods and services, this entails an increase of 5.6 per cent in real disposable income for Norway in 1985 compared with 7.1 per cent in 1984.

The growth in real disposable income for Norway can be broken down into the contribution from the growth in domestic production, changes in the external balance of interest and transfers, and changes in the terms of trade. The growth in domestic production was responsible for almost the entire growth in the country's real disposable income in 1985.

The lower rate of growth in real disposable income for Norway from 1984 to 1985 may be entirely ascribed to changes in the terms of trade. While the rise in prices for total exports was considerably stronger than the rise in prices for imports in 1984, preliminary estimates show that the situation was reversed in 1985. The development in export prices is to a large extent determined by oil price movements. Nearly two thirds of the growth contribution from the terms of trade to real disposable income for Norway in 1984 came from the rise in the price of oil and gas. In 1985, according to preliminary estimates, the trend in oil prices made a negative contribution of about 0.4 percentage points to the growth in real disposable income.

Saving in Norway (disposable income less private and government consumption) grew by Nkr 7.5 billion from 1984 to 1985. When deflated by the same price index as for disposable income, real saving in Norway showed a rise of 3.6 per cent, which is a considerably lower growth than in 1984. This entails an approximately unchanged rate of saving (saving as a percentage of disposable income). It should be pointed out that, given the way the national rate of saving is

Real disposable income for Norway. Percentage change from previous year.

	1984	1985
Real disposable income for Norway .....	7.1	5.6
Contribution from:		
Production growth (net domestic product) .....	3.9	5.5
Change in terms of trade ..	2.9	-0.8
Change in external balance of interest and transfers .	0.3	0.9

defined above, account has not been taken of revaluations of e.g. petroleum reserves, other natural resources and the foreign debt.

#### Oil income

Income from oil and gas production in the North Sea has risen sharply the last few years. Value added, measured by the gross product in oil and gas production, amounted to some Nkr 90 billion in 1985, which was nearly one fifth of the gross domestic product. Norway's oil income is made up of the gross product in Norwegian companies as well as oil taxes and royalties incurred by foreign companies engaged in oil and gas production on the Norwegian shelf.

It may be of interest to estimate the additional yield oil and gas activities give Norway as a nation, compared with other business activities. In the Economic Survey for 1980 the concept "oil rent" was introduced to designate this additional yield. The oil rent is the share of total production revenue from the production of oil and gas which is obtained above and beyond current production costs and an estimated normal return on invested capital. This normal rate of return is set equal to 7 per cent, which approximately corresponds to the average real rate of return on industrial capital the last ten years. When calculating the oil rent, it is thus disregarded that several input factors which are utilized in the oil sector probably receive a higher compensation than they would have in other business activities, e.g. due to a particularly high premium for risk capital. They can therefore be said to receive, to some extent, part of the oil rent.

Preliminary estimates show that the oil rent

Oil income from crude petroleum and natural gas production.

	Gross Oil pro- rent duct	Oil rent share of GDP	Oil rent share of GDP
	Billion Nkr	Per cent	Per cent
1977 .....	7.4	2.8	1.5
1978 .....	12.8	7.0	3
1979 .....	20.8	13.6	5.5
1980 .....	41.1	31.8	11
1981 .....	50.1	36.4	11
1982 .....	55.7	37.9	10.5
1983 .....	67.6	48.5	12
1984 .....	81.7	57.6	13
1985 .....	90.1	62.9	13

amounted to about Nkr 63 billion in 1985, compared with Nkr 58 billion in 1984. This represented in both years 13 per cent of GDP or 55 per cent of the capital stock in the petroleum production sector. Taxes and royalties from the petroleum production sector amounted to slightly more than Nkr 45 billion in 1985. The remainder of the oil rent, nearly Nkr 18 billion, accrued to private companies and the central government in the form of a return on invested capital. In 1985, this was 22 per cent, including a estimated normal return, compared with nearly 25 per cent in 1984.

Incomes and saving of the household sector

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The growth in total disposable income for the household sector in 1985 is estimated at nearly Nkr 27 billion, or 12.2 per cent from

the previous year. When deflated by the national accounts price index for private consumption, real disposable income expanded by 5.7 per cent as against 2.0 per cent in 1984.

According to preliminary estimates for 1985, disposable income for the household sector amounted to more than 60 per cent of total disposable income for Norway. This is the same percentage as in 1984, but 2 percentage points lower than in 1983 and 1982.

The development on the labour market, with a sharp growth in employment and a fall in unemployment, has entailed that the growth in wage and salary payments is estimated in the preliminary figures for 1985 at 11.0 per cent, of which 7.6 per cent can be ascribed to the growth in wages per employee man-year.

There has also been a relatively strong rise in social security disbursements from 1984 to 1985. The growth is estimated at slightly more than 12 per cent. This is due to both an increase in the number of social security recipients and a relatively sharp growth in the rates for various types of benefits. The basic pension in the National Insurance Scheme was raised by 7.0 per cent at the same time that the rates for special supplements rose 0.5 percentage points. The income of people receiving the minimum pension therefore increased by more than 7 per cent in 1985. There has also been a substantial rise in the rates for family allowances.

The operating surplus of the household sector, the most important source of income for the self-employed, appears to have grown considerably from 1984 to 1985. This is primarily due to the sharp growth in income in industries which have a large number of

self-employed (primary industries and service industries).

It thus appears that the self-employed, employees and social security recipients have all registered a growth in real disposable income. It must be emphasized that the discussion refers to groups of households and the household sector combined; the estimates do not automatically reflect the income trend for individual households.

It was the sharp growth in wages and salaries which, according to the preliminary estimates, made the greatest contribution to the growth in real disposable income for the household sector in 1985. In total, wages and salaries, operating surplus and transfers contributed to a growth of 7.3 per cent in real income. This is a considerably stronger growth than in the last few years. In spite of tax cuts the real value of taxes (direct taxes and social security contributions) increased as a result of the strong growth in income and the rise in employment. This contributed to reducing the growth in real disposable income for the household sector. Moreover, preliminary estimates show that a sharp growth in lending has already been reflected in higher net interest expenses for the household sector. The estimates show that the difference between interest income and interest expenses made a negative contribution of 0.7 percentage points to the growth in the household sector's total real income in 1985.

Saving in the household sector is that part of disposable income which is not used for consumption. The preliminary estimates for 1985 for disposable income and private consumption indicate that household saving amounted to about Nkr 9 billion. This is about Nkr 2.5 billion less than in 1984. The rate of saving, i.e. saving as a share of

disposable income, is thus estimated at 3.7 per cent in 1985 as against 5.3 per cent in 1984. However, it must be emphasized that there is considerable uncertainty attached to preliminary estimates for a residually-determined item like saving.

Estimated contribution to the growth in real disposable income for households. 1) Percentage change from previous year.

	1982	1983	1984	1985
Income .....	2.0	2.7	3.5	8.8
- Wages and salaries ..	0.6	0.0	1.4	3.9
- Operating surplus ...	0.1	-0.2	0.6	1.6
- Interest income .....	0.5	0.9	0.8	1.2
- Transfers .....	0.9	1.6	0.7	1.8
- Other income .....	-0.1	0.4	0.0	0.3
Expenses .....	0.9	0.3	1.5	3.1
- Direct taxes and social security contributions .....	-0.5	-0.9	0.4	0.9
- Interest expenses ...	1.1	1.2	1.1	1.9
- Other expenses .....	0.3	0.0	0.0	0.2
Real disposable income	1.1	2.4	2.0	5.7

1) Real disposable income is disposable income deflated by the national accounts price index for private consumption. The base year is 1980 for the years 1982, 1983 and 1984, and the base year is 1984 for 1985. In the table, income and expenses do not include employers' social security contributions to the National Insurance Scheme.

## CONSUMPTION

In 1985 for the first time since 1977 - the growth in private consumption was higher than the growth in government consumption. Preliminary estimates for 1985 show a rise in volume of 6.3 per cent in total consumption compared with 1.7 per cent in 1984. Measured as a share of GDP at current prices, total consumption corresponded to nearly 67 per cent, a rise of about 1.5 percentage points from 1984 when the lowest share for consumption in the postwar period was registered. Even though the share rose in 1985, it is still one of the lowest in the postwar period.

## Government consumption

According to provisional estimates, the growth in government consumption was a little more than 3 per cent in 1985. This is slightly higher than in 1984. The growth in military consumption is estimated at about 5 per cent, while the increase in civilian consumption was 2.9 per cent in 1985 as against 2.5 per cent the preceding year. The growth in local government consumption in 1985 was again stronger than the growth in government civilian consumption. Local government consumption rose, according to preliminary estimates, by 3.6 per cent in 1985 as against 2.7 per cent in 1984.

## Private consumption

The sharp growth in private consumption in the first three quarters of 1985 appears to have been further strengthened in the fourth quarter. The growth in volume from 1984 to 1985 is estimated at 7.5 per cent. This is the highest rate of growth for private consumption in the entire postwar period

with the exception of 1969, the year before the value added tax was introduced in Norway. The national accounts price index for private consumption showed a price rise of 6.1 per cent from 1984 to 1985. Measured in current prices, private consumption was about Nkr 29 billion higher than in the preceding year.

One main impression is that the growth was strongest for groups of goods and services which generally are the most sensitive to changes in income. There has also been a relatively stronger growth for goods that have recorded a favourable price trend the last few years. Even though the price of new cars has increased more than the general rise in consumer prices in recent years, it has become increasingly cheaper, in relative terms, to use a car.

In contrast to the last two years it was the consumption of goods, and then in particular the consumption of durable consumer goods, which made the greatest contribution to the growth in consumption in 1985. Preliminary estimates indicate a growth in volume of 8.4

Private and government consumption. Percentage change in volume from previous year.

	Pri- vate con- sump- tion	Govern- ment consump- tion	Total con- sumption
1980 .....	2.3	5.4	3.2
1981 .....	1.1	6.1	2.6
1982 .....	1.8	3.9	2.4
1983 .....	1.2	3.7	2.0
1984 .....	1.5	2.0	1.7
1985 .....	7.5	3.2	6.3

Private final consumption expenditure. Percentage change in volume from previous year.

	1984	1985
Goods .....	1.5	8.4
Services .....	3.3	5.7
Specified domestic consumption .....	2.0	7.5
+ Consumption by Norwegians abroad .....	-4.7	9.2
- Foreigners' consumption in Norway .....	1.9	11.7
Private final consumption expenditure .....	1.5	7.5

per cent in the consumption of goods, while the consumption of services expanded by 5.7 per cent. Nearly half of the increase in the demand for consumer goods was applied to purchases of private means of transport, but there was also a clear growth in the demand for other durable consumer goods. Operating expenses for the use of private means of transport showed the highest increase among non-durable consumer goods, a development which must be viewed in connection with the upswing in sales of new cars and a relatively low rise in the price of petrol. The consumption of electricity and fuel rose in volume by more than 10 per cent from 1984 to 1985, and this must partly be ascribed to the relatively cold weather experienced in most of the country the past year. While the consumption of food was as high in 1985 as in 1984, the consumption of food was as high in 1985 as in 1984, the consumption of beverages and tobacco increased in volume by nearly 8 per cent.

According to the preliminary estimates for

1985, the growth in the consumption of services domestically contributed 1.7 percentage points to the growth in total private consumption, and the increase is primarily a result of more frequent visits to hotels, restaurants and cafes, and a greater use of transport services.

At the same time, there has been a sharp growth from the previous year in both consumption by Norwegians abroad and foreigners' consumption in Norway, so that the net contribution from these correction items was negligible in 1985.

Private consumption of goods in 1985.  
Per cent.

Commodity groups	Share of total private consumption	Change in volume from 1984
Food .....	18.7	0.0
Beverages and tobacco ..	6.2	7.8
Clothing and footwear ..	7.4	5.4
Electricity .....	5.6	10.2
Fuel .....	1.1	10.1
Operating expenses, private means of transport .....	5.3	16.8
Personal transport equipment .....	7.3	41.7
Furniture and electric appliances .....	4.4	7.2
Durable recreation goods	1.7	11.8
Other recreation goods ..	4.1	4.5
Other household goods ..	1.7	4.7
Other goods .....	3.0	2.3
Total .....	66.5	8.4

Private consumption of services in 1985.  
Per cent.

	Share of total private consump- tion	Change in volume from 1984
Housing (gross rents)	10.7	3.8
Hotel and restaurant expenses .....	4.4	11.6
Public and private transport services	4.6	8.0
Medical care and health expenses ...	4.1	2.9
Education, etc. ....	2.1	6.2
Household services ..	1.3	2.2
Other services .....	2.7	5.6
<b>Total .....</b>	<b>29.9</b>	<b>5.7</b>

The strong growth in incomes, easy access to credit and changes in the household sector's expectations about its future financial position are assumed to be important factors underlying the steep growth in private consumption in 1985.

A rise of 5.7 per cent in real disposable income probably explains most of the growth. At the same time, the growth in incomes is an indication that more people are employed and that the labour market has become tighter. The Central Bureau of Statistics' quarterly survey of the consumers' appraisal of the cyclical situation shows that the household sector's expectations concerning economic developments have shifted in a positive direction during 1985.

Following two consecutive years with an increase in real saving, preliminary esti-

mates for 1985 show a fall of about one and a half percentage points in the rate of saving. There are many indications that in 1985 there has been a relatively sharp growth in net investment in production capital in industries which have a large number of self-employed. Compared with a decline in total saving for the household sector, this indicates a sharp fall in household financial saving.

Credit Market Statistics for commercial and savings banks show a lower growth for bank deposits for households and a higher growth for loans to households in the period from the end of the third quarter 1984 to the end of the third quarter 1985 compared with the same period one year earlier. The growth in lending has been particularly strong for loans for non-housing purposes.

The strong credit supply from banks and financial institutions in 1985 made it possible for most of those who so desired to finance purchases of consumer goods by borrowing. There is therefore reason to believe that some of the growth in purchases of durable consumer goods, and then cars in particular, has been financed by loans.

The sharp growth in purchases of private cars in 1985, however, must be viewed in connection with a relatively sluggish trend in both 1983 and 1984. There are many indications that many people postponed car purchases in these years due to the uncertainty about the general economic situation. Expectations of an improvement in the economic situation combined with a strong growth in incomes may therefore explain why many purchased a new car in 1985. Another element which may help to explain the growth in purchases of private cars in 1985 is that the high sales of new cars in the mid-1970's have entailed that many cars have gradually

become ripe for replacement. This is a factor which will contribute to maintaining sales of new cars at a high level in 1986 as well.

In the national accounts, all goods with a lifetime of at least one year are conventionally considered investment goods. One exception, however, is investment in household consumption capital, i.e. purchases of durable consumer goods. These are considered consumed the year in which they are purchased despite the fact that the services they render extend over a longer period. Calculations show that if the household sector's purchases of private cars, durable recreation goods like boats and radios and television sets, furniture, furnishings and other electrical appliances had been considered investment, the rate of saving would not have changed very much from 1984 to 1985. The record growth in consumption and fall in the estimated rate of saving in 1985 may in that respect primarily be explained by the fact that the household sector that year increased its investment in objects which will provide services for a number of years, and then particularly in private cars.

#### INVESTMENT

Gross fixed capital formation in 1985 amounted to about Nkr 106 billion. This represents some 21 per cent of the gross domestic product compared with about 25 per cent earlier in the 1980s. By way of comparison, the average in the OECD area has been about 20 per cent, a figure which naturally contains sizeable variations from one country to another. Gross fixed capital formation fell in volume by about 14 per cent from 1984 to 1985, primarily as a result of a decline of 33 per cent in

investment in oil production and pipeline transport. When investment in oil activities and shipping are excluded, investment rose by some 3 per cent.

Preliminary national accounts estimates indicate that total stocks increased substantially in 1985. In particular, there was a rise in stocks of work in progress, especially oil platforms in progress related to Gullfaks A and the water injection project on Ekofisk. Gross investment, including changes in stocks, expanded in volume by 2.7 per cent from 1984 to 1985.

Manufacturing investment showed the highest growth, with volume increasing 16.7 per cent. There has also been a high level of investment activity in many service industries, particularly wholesale and retail trade and business services. The growth in investment was weak in the electricity supply sector due to unchanged development activity. Housing investment has been falling ever since 1983, and the decline continued in 1985 albeit at a slower rate. Gross investment in the shipping sector has

Gross fixed capital formation by type. Percentage change in volume from previous year.

	1984 1)	1985 2)
Investment in oil		
activities .....	42.4	-32.4
Buildings and construction	-1.5	2.3
Ships and boats .....	..	..
Other transport equipment	8.6	2.8
Machinery, equipment, etc.	19.4	6.2
Total .....	11.1	-13.8

1) Base year 1980.

2) Base year 1984.

Gross fixed capital formation by kind of economic activity. Percentage change in volume from previous year.

	1984 1)	1985 2)
Primary industries .....	-1.6	1.8
Production and pipeline transport of crude oil and natural gas .....	40.5	-33.0
Manufacturing and mining ..	18.1	15.8
Sheltered manufacturing .	8.8	-4.2
Export-oriented manufacturing .....	37.4	37.3
Import-competing manufacturing .....	13.9	14.7
Electricity supply .....	1.5	0.9
Construction .....	-1.4	-4.3
Wholesale and retail trade	3.8	6.2
Shipping and oil drilling . . .	..	..
Transport and communications .....	13.4	1.7
Housing services .....	-9.8	-1.5
Other private services ....	26.2	8.3
Producers of government services .....	5.2	-0.4
Gross fixed capital formation, total .....	11.1	-13.8
- excluding oil and shipping .....	5.4	3.3

1) Base year 1980.

2) Base year 1984.

also been sharply reduced for a number of years. This reflects both the fall-off in investment in new ships and extensive registration abroad of existing tonnage.

Investment activity in the general government sector fell slightly in 1985, with volume declining 0.4 per cent.

#### Oil production and pipeline transport

Gross investment in the oil production and pipeline transport sector amounted to Nkr 23.5 billion in 1985, according to preliminary national accounts estimates. This is a decline in volume of 33 per cent from 1984. The reduction is related to the towing out of both the Statfjord C and Heimdal platforms in 1984, as platforms are counted as investment at the time they are towed out to the field. There was no equivalent major towing out of platforms in 1985.

Gross investment in the pipeline transport sector amounted to Nkr 1.4 billion in 1985. This is a sharp reduction as a result of the completion and start-up of the Statpipe pipeline.

According to the Central Bureau of Statistics' investment survey in the fourth quarter of 1985, gross investment in oil production and pipeline transport is expected to reach almost Nkr 46 billion in 1986. This is an increase in value of nearly 100 per cent and is a record level. Both the Gullfaks A and Ekofisk water injection platforms will be towed out in the summer of 1986.

Incurred investment costs, which best reflect the current investment activity in the petroleum sector, grew sharply from 1984 to 1985, and this growth will continue in 1986. Total incurred investment costs in the production sector are estimated at Nkr 33.9 billion in 1985, an increase in value of 23.3 per cent from the preceding year. Incurred costs in the production sector are dominated by costs for exploration and field development. These amounted to Nkr 29 billion and constituted 85 per cent of total incurred investment costs in the sector. Investment costs for fields in operation as

Incurred investment costs in oil production and pipeline transport. Billion Nkr, current prices.

	1984	1985 1)	1986 1)
<hr/>			
Production of crude oil and natural gas .....	27.5	33.9	42.8
Exploration .....	7.5	8.9	11.5
Field development .	14.5	20.1	26.9
Goods .....	8.2	10.4	13.0
Services .....	6.0	9.0	12.6
Production			
drilling .....	0.3	0.8	1.3
Fields in operation	2.1	2.0	2.4
Goods .....	0.3	0.6	0.6
Services .....	0.4	0.1	0.1
Production			
drilling .....	1.4	1.3	1.7
Land-based activities 2) ...	3.5	2.8	1.9
Pipeline transport ....	4.8	1.4	0.6
Oil production and pipeline transport, total .....	32.3	35.3	43.4

- 1) Estimate according to the Central Bureau of Statistics' investment statistics collected in the 4th quarter of 1985.
- 2) Includes office building, bases and terminal facilities on land.

well as land-based activities amounted to about Nkr 4.9 billion in 1985.

Incurred investment costs in field development are estimated at Nkr 20.1 billion in 1985, a rise in value of nearly 39 per cent from the preceding year. Field development comprises those fields for which development has been approved by the authorities and includes costs up to the start of operations. The following projects were in the development phase at the end of 1985:

Heimdal, Ekofisk water injection, Ula, Gullfaks A, B and C, Oseberg A and B and East Frigg. It is particularly the development of Gullfaks and Oseberg that has influenced investment activity in 1985 and will influence it in 1986.

Costs for goods accounted for some 50 per cent of field development costs in 1985. The growth for goods was some 25 per cent and for services about 50 per cent from 1984. In a field development project, service costs will dominate in the initial and final phases, while costs for goods will weight heavily in the intermediate phase due to the construction of the actual platform.

Incurred investment costs in field development in 1986 are estimated at about Nkr 27 billion, entailing an increase in value of nearly 34 per cent. The costs for goods are expected to rise by 25 per cent and the costs for services by as much as 40 per cent in relation to the preceding year. In 1986, the sharp rise in service costs will primarily be a result of the major technical services being planned on the shelf in connection with the link-up of the Heimdal, Ula, Ekofisk water injection and Gullfaks A platforms.

Costs for exploration for oil and gas are counted as investment in the production sector and amounted to Nkr 8.9 billion in 1985, an increase in value of 18.9 per cent from 1984. The estimate for 1986 shows a growth of nearly 30 per cent. Despite the increase in value, the volume indicators number of drilling metres and number of drilling days showed a decline of about 5 per cent from 1984 to 1985. The most important factors explaining this are that winter drilling is now permitted on the entire Norwegian shelf and a greater part of the exploration is taking place north of the

### INVESTMENT CONCEPTS - OIL ACTIVITIES

#### Incurring investment costs:

Incurring investment costs are a measure of activity which indicates the current use of resources for a project independently of where the activity takes place. The reporting to the Central Bureau of Statistics is based on the operators' cost control routines.

#### Gross fixed capital formation:

In contrast to building and construction deliveries, which are counted as fixed capital formation at the same rate as the work is carried out, oil platforms are not included in fixed capital formation until the time and with the capital value they have when towed out to the production site. Incurring investment costs for an oil platform are counted as changes in work in progress (i.e. change in stocks) until the platform is placed in the field. For the group field development there will therefore normally be sizeable deviations between incurring investment costs and gross fixed capital formation in the same period.

62nd parallel where weather conditions are more difficult and water depths greater.

Incurring investment costs for fields in operation amounted to Nkr 2.0 billion in 1985, which is only a slight reduction from 1984. Costs for production drilling account for about two thirds of these incurring investment costs. The estimate for 1986 shows an increase in value of about 20 per cent.

Incurring investment costs for land-based activities amounted to Nkr 2.8 billion in 1985, a reduction of 17.9 per cent. The estimate for 1986 is Nkr 1.9 billion.

Incurring investment costs in the pipeline transport sector were Nkr 1.4 billion in 1985, which is a reduction of more than 70 per cent from 1984. The estimate for 1986 entails a further reduction and is related to the completion of the Statpipe project.

Total incurring investment costs in the oil production and pipeline transport sector in 1986 are estimated at Nkr 43.4 billion. This is a rise in value of almost 23 per cent from 1985 and will result in a substantial increase in demand applied to offshore-based activities.

### BALANCE OF PAYMENTS

Preliminary estimates show a surplus on the current account of the balance of payments of Nkr 26.6 billion in 1985. This is slightly higher than the surplus in 1984 (Nkr 26.3 billion). New data indicate, however, that the 1984 figure may be revised downwards. The surplus in 1985 thus emerges as the highest surplus registered in Norway since World War II. The surplus, measured as a share of GDP, was 5.4 per cent in 1985, higher than in any other OECD country. Norway's net foreign debt was almost reduced by half through 1985.

The export surplus declined by about Nkr 2 billion from 1984 to 1985. A somewhat stronger reduction in the deficit on the balance of interest and transfers, primarily as a result of an improvement in the balance of interest, none the less contributed to a slight increase in the current account surplus. The deficit on the balance of

interest and transfers amounted to Nkr 14.5 billion, while the deficit in 1984 was Nkr 17.0 billion.

The reduction in the export surplus can primarily be ascribed to a substantial deterioration in the balance of trade for traditional goods (other goods in the balance of payments). From a deficit of Nkr 37 billion in 1984, this deficit rose to about Nkr 52 billion in 1985. Export earnings from the sale of crude oil and natural gas increased, on the other hand, by Nkr 6.7 billion, and income from sales of new and second-hand ships and oil platforms by Nkr 5.3 billion. The increase in the latter item is primarily due to sales of second-hand ships. Net freight earnings of the shipping sector also expanded by about Nkr 500 million. Total exports grew in volume by 4.9 per cent from 1984 to 1985. This is a slightly lower growth than in 1984 when exports advanced 5.1 per cent. There was a markedly lower growth in exports of crude oil and natural gas (3.9 per cent as against 14.4 per cent in 1984), and a slightly lower growth in exports of traditional goods (2.4 per cent as against 5.7 per cent in 1984 for all goods excluding crude oil, natural gas,

Main items in the current account of the balance of payments. Billion Nkr.

	1984	1985
Exports of goods and services	215.4	238.1
Imports of goods and services	172.1	197.0
Export surplus .....	43.3	41.1
Surplus on the balance of interest and transfers .....	-17.0	-14.5
Surplus on current account ..	26.3	26.6

Exports of goods and services. Percentage change in volume from previous year.

	1984 1)	1985 2)
Crude oil and natural gas	14.4	3.9
Ships and oil platforms, etc.	-6.1	43.2
Gross receipts from shipping	-5.7	1.3
Other goods and services ....	4.7	3.2
of which: according to external trade statistics ...	5.7	2.4
Total .....	5.1	4.9

1) Base year 1980.

2) Base year 1984.

ships and oil platforms according to external trade statistics). The sharp increase in sales of second-hand ships entailed that the growth in total exports did not slow down even more in relation to 1984.

Imports of goods and services. Percentage change in volume from previous year.

	1984 1)	1985 2)
Crude oil .....	15.2	-18.5
Ships and oil platforms, etc. ....	13.6	-20.7
Gross expenditure for shipping .....	-5.7	0.3
Other goods and services ..	7.0	11.2
of which: according to external trade statistics	13.7	13.6
Total .....	6.2	7.0

1) Base year 1980.

2) Base year 1984.

Imports rose in volume by 7.0 per cent from 1984 to 1985. This is a somewhat stronger growth than in 1984 (6.2 per cent). According to external trade statistics, traditional merchandise imports showed an unusually strong growth, 13.6 per cent. A particularly high growth was registered by imports of finished goods in connection with the sharp rise in private consumption. On the other hand, there was a clear decline in imports of ships and oil platforms and crude oil.

Import prices increased by an average 7.0 per cent and export prices by 5.4 per cent in 1985. This entailed a deterioration of 1.5 per cent in the terms of trade, while in 1984 Norway recorded a clear improvement of 4.3 per cent in the terms of trade.

At the end of 1984 Norway's net foreign debt amounted to Nkr 76.9 billion, or 17.2 per cent of gross domestic product. If the current account surplus in 1985 is used as an estimate for net repayments of debt, and adjustments are made for revaluations of reserves and loans as a result of exchange rate changes during the year, it appears that Norway's net foreign debt declined in 1985 by almost Nkr 37 billion to about Nkr

Net foreign debt at the end of the year.  
Billion Nkr.

	1984	1985
Central government sector .	1.5	1)
Shipping and oil activities	87.3	1)
Bank of Norway .....	-85.8	-106.7
Other Norwegian sectors ...	73.9	1)
Total .....	76.9	40.0

1) Data not available.

40 billion at year-end. This represents 8.1 per cent of GDP and is the lowest level Norway has recorded since the 1950s. The central government's net foreign debt has been virtually repaid in the course of 1985. The Bank of Norway's net claims on other countries increased sharply in 1985, and at year-end amounted to as much as Nkr 106.7 billion.

#### PROSPECTS

1985 will be remembered as the year when the growth in private consumption reached an unusually high level. Particularly in light of development in the preceding period 1980-1984 with an average annual growth in private consumption of about 1.5 per cent, the growth in 1985 of as much as 7.5 per cent was exceptionally high. The surge in private consumption has been accompanied by a sharp growth in real incomes, a considerable growth in employment and reduced unemployment.

Other development features, however, were more problematic. Imports showed a sizeable growth, and 1985 was the sixth consecutive year with a higher rise in prices in Norway than in our main trading partner countries. The authorities have not succeeded in reducing the growth in nominal incomes to the same level as for our trading partners. At the same time, productivity gains remain low, actually lower than in every year since 1970 - with the exception of the trough years 1981 and 1982 - and noticeably lower than in most other industrial countries.

With a stronger growth in productivity, it would probably have been possible to achieve the same development in real incomes for wage-earners with lower nominal income increases and an improvement in our relative

cost trend. The attempts made to achieve an improvement in relative costs with the help of the tax policy and devaluations do not seem to have been successful. Even though 1985 in many ways was a positive year for the Norwegian economy, the main weaknesses in the way the economy functions were thus once again exposed.

Oil activities now play a key role in the Norwegian economy, primarily through the major revenue that is generated for the Norwegian economy, but also based on the sizeable importance the level of investment has for parts of Norwegian manufacturing. The uncertain market conditions for oil and gas demonstrate the need to have vigorous economy outside the oil sector to maintain a high level of employment and a reasonable growth in income. If this is to be achieved, industry's competitiveness must be strengthened. Key factors here are the level of costs, i.e. productivity and prices of different input factors like labour, capital and energy, in addition to product development, adjustment capabilities and marketing. The real economic counterpart to our high cost level, however, is not that we consume too much of our income, even with the rapid growth in consumption we have recorded the past year. Both private and government consumption as a share of the gross domestic product are low by international standards, while the level of investment is high. Our problem is primarily that total investment, excluding oil activities, provides a low real rate of return disregarding cyclical variations. The low productivity gains are an indication of this and it is particularly disquieting that we even during a cyclical upturn cannot point to a favourable productivity trend. In particular many sheltered industries stand out in a negative direction. The yield on capital varies considerably between

industries; among other things, some newer business activities can point to very high profitability.

All this may indicate that from a socio-economic point of view there are fundamental weaknesses in the way capital is allocated in Norway. Many investment projects in the business sector are to a great extent undertaken on the basis of criteria other than the return on capital.

Extensive government capital grants and support and subsidy arrangements for different types of industries figure centrally here. The tax system also plays an important role in the allocation of capital. With high marginal tax rates for many taxpayers and relatively high and persistent inflation, the nominal interest rate level will have to be high in order to provide a positive real yield after tax for financial investments. At the same time, the yield on investments in real capital - both in the enterprise and household sector - is often taxed very moderately. The differential tax treatment of financial and real investment is amplified by high nominal interest rates and a high rise in prices, and variations in the interest rate and rise in prices may distort and alter the rates of return, often in an undesirable and unintentional way. This has a bearing on the ratio between the use of capital and labour and thus on productivity trends in industry and trade. Estimates made in the Central Bureau of Statistics indicate, for example, that the companies' costs in using real capital as a factor of production (user cost of real capital) may have been more than doubled in the period 1980-1985, while wage costs per employee grew by some 50 per cent in the same period.

It is the intention that the liberalization

of the credit market in recent years shall result in a more market-oriented management of the credit market - and thus a more flexible and efficient allocation of resources with a market-determined interest rate as the central regulator. The design of the tax system, however, entails that it is difficult to achieve the intended effects in a number of areas.

In addition to such structural and institutional problems as pointed out above, developments in 1985 illustrate some problems linked to the more short-term management of the Norwegian economy. The higher petroleum revenue in 1984-1985 gave rise to an increase in domestic demand, inter alia through a relatively expansionary fiscal policy, at the same time that the cyclical upturn generated a significant impetus to growth in the Norwegian economy. These tendencies for changes in the cyclical situation to coincide with changes in oil prices have also created problems in cyclical management earlier. It has proved difficult to use a more long-term perspective as a basis when evaluating the use of oil revenue.

An important element of uncertainty in the

period ahead, for economic development both internationally and in Norway, is the price trend for crude oil and the dollar exchange rate. As far as the situation can be judged at the moment, the price of oil, and thus eventually the price of natural gas, may remain at a substantially lower level than previously for some years. Even if it is taken into account that this may make a positive contribution to international economic growth, Norway may record noticeable losses in export earnings and tax revenue. How this situation is to be dealt with through an adaptation of economic policy depends not least on the long-term assessments of developments on the oil markets. Recent developments on the oil market do not by themselves give ground for revising earlier assessments of the oil market after 1990, but remind us once again of how uncertain this revenue is.

With most of the cyclical upturn behind us, one of the main challenges of economic policy in the next few years will be to prevent an economic slowdown abroad from being accompanied by a tighter policy at home, at the same time recognizing the limitations set by oil revenue for our balance of payments scope for manoeuvre.

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NATIONAL ACCOUNTS FOR NORWAY

TABLE A1: GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY 1) 2)  
At constant 1984-prices. Million kroner

	1984*	1985a	-----1984-----				-----1985-----		
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Gross domestic product .	446620	466407	110025	107845	111603	117148	113443	111287	117136
Industries .....	385194	403067	94668	92488	96247	101791	97608	95452	101301
Agriculture, hunting, forestry and fishing etc. ....	16777	17164	3161	1295	8947	3374	2965	1484	9099
Production and pipe- line transport of crude petroleum and natural gas .....	84122	88889	21632	20601	18953	22936	22355	20823	21266
Mining and quarrying .	1409	1443	346	360	326	377	357	356	330
Manufacturing .....	60773	62324	15703	14911	13922	16237	16063	15399	14346
Sheltered manu- facturing .....	16842	17066	4178	4205	4019	4440	4259	4287	4090
Food, beverages and tobacco .....	10129	10233	2406	2578	2472	2673	2464	2625	2519
Printing and publishing .....	6713	6833	1772	1627	1547	1767	1795	1662	1571
Export-oriented manufacturing .....	11458	11393	2959	2847	2689	2964	2901	2884	2774
Paper and paper products .....	2839	2934	743	696	661	739	772	726	705
Industrial chemicals .....	2475	2392	643	609	581	643	566	622	591
Petroleum refining	-342	-359	-88	-80	-84	-90	-89	-83	-85
Metals .....	6486	6427	1661	1622	1531	1672	1652	1619	1563
Import-competing manufacturing .....	32473	33865	8566	7859	7215	8833	8903	8228	7482
Textiles, wearing apparel and foot- wear .....	1764	1828	488	427	381	467	490	445	395
Wood and wood pro- ducts, furniture and fixtures .....	5129	5242	1272	1227	1155	1474	1333	1255	1181
Chemical and mineral products .	6663	7040	1694	1629	1570	1771	1795	1731	1665
Building of ships and oil platforms	4935	4972	1354	1232	1055	1293	1348	1227	1058
Other manufac- turing goods .....	13982	14783	3757	3344	3054	3828	3936	3570	3184
Electricity supply ...	18048	17461	5530	3995	3762	4761	5764	3724	3135
Construction .....	22069	22630	5036	5451	5534	6047	4972	5414	5856
Wholesale and retail trade .....	52227	54623	12319	12990	12578	14341	12556	13322	13241
Water transport and oil well drilling ....	17819	17491	4294	4573	4649	4303	4146	4688	3904
Transport, storage and communication ....	25001	26342	5936	6350	6354	6360	6259	6534	6587
Dwellings .....	16670	17306	4141	4157	4176	4197	4303	4316	4333
Other private ser- vices .....	64956	69663	15596	16547	16120	16692	16715	17012	17704
Correction sectors ...	5323	7732	974	1258	925	2166	1152	2380	1500
Producers of government services .....	61426	63340	15357	15357	15357	15357	15835	15835	15835

1) For the 4th quarter of 1985 the calculations are based upon forecasts or available estimations done by the Central Bureau of Statistics.

2) Inconsistencies in the tables are due to computerized rounding.

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NATIONAL ACCOUNTS FOR NORWAY

TABLE A2: EXPENDITURE ON GROSS DOMESTIC PRODUCT. 1)  
At constant 1984-prices. Million kroner

	1984*	1985a	-----1984-----				-----1985-----		
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Gross domestic product .	446620	466407	110025	107845	111603	117148	113443	111287	117136
Final domestic use of goods and services .....	403236	424600	97462	97144	103188	105439	101606	100346	108691
Private final consump- tion expenditure .....	207997	223651	49348	50375	51273	57001	52294	53604	55622
Specified domestic consumption .....	200740	215866	47971	48656	48801	55312	50853	51884	52934
Direct purchases abroad, net.....	7257	7785	1378	1718	2472	1688	1442	1720	2688
Government final consumption .....	83974	86691	20993	20993	20993	20993	21673	21673	21673
Central government .	33472	34375	8368	8368	8368	8368	8594	8594	8594
Civilian .....	20433	20714	5108	5108	5108	5108	5179	5179	5179
Military .....	13039	13661	3260	3260	3260	3260	3415	3415	3415
Local government ...	50502	52316	12625	12625	12625	12625	13079	13079	13079
Gross capital forma- tion .....	111265	114258	27121	25776	30922	27445	27639	25069	31396
Gross fixed capital formation .....	114382	98623	23262	34199	29661	27259	21448	24747	26083
Investment in oil activity .....	32862	22222	3363	14573	9967	4960	3707	5348	6721
Buildings and other construction	47756	48887	10853	11346	12249	13307	10522	11448	12841
Ships and boats ..	4181	-3574	2830	984	230	137	674	269	-1026
Other transport equipment .....	7989	8213	1683	2267	1738	2301	1821	2008	1961
Other machinery and equipment ....	21595	22874	4535	5028	5477	6555	4724	5673	5586
Increase in stocks .	-3118	15635	3859	-8423	1261	186	6191	322	5313
Oil platforms in progress .....	-4361	3496	2050	-6250	-2343	2182	1351	212	562
Exports .....	215439	225957	54853	53350	51271	55965	55821	55107	53709
- Imports .....	172057	184153	42292	42650	42857	44257	43985	44166	45265

1) See footnote 1, 2 in table 1.

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NATIONAL ACCOUNTS FOR NORWAY

TABLE A3: PRIVATE FINAL CONSUMPTION EXPENDITURE. 1)

At constant 1984-prices. Million kroner

	1984*	1985a	-----1984-----				-----1985-----		
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Private final consumption expenditure	207997	223651	49348	50375	51273	57001	52294	53604	55622
Specified domestic consumption .....	200740	215866	47971	48656	48801	55312	50853	51884	52934
Food .....	41650	41650	9439	10246	10265	11700	9492	10265	10392
Beverages and tobacco .....	13019	14039	2770	3426	3169	3654	3134	3523	3478
Clothing and foot- wear .....	15481	16322	3414	3713	3577	4776	3306	3859	3762
Rent, power and fuel	36225	38443	10255	8335	7959	9676	10869	8775	8409
Furniture, furnish- ings and household equipment ... ..	15896	16808	3699	3501	3850	4845	3807	3687	4058
Medical care and health expenses ....	8859	9115	2317	2164	2111	2268	2354	2236	2192
Transport and commu- nication .....	31783	39090	7448	8231	8003	8101	8730	9906	9961
Recreation entertain- ment, education and cultural services ..	16909	18006	4030	3899	4025	4955	4168	4136	4405
Other goods and ser- vices .....	20917	22394	4598	5142	5841	5337	4993	5497	6277
Correction items .....	7257	7785	1378	1718	2472	1688	1442	1720	2688
Direct purchases abroad by resident households .....	13008	14208	2370	3064	4740	2834	2585	3310	5044
Direct purchases in Norway by non- resident households	-5751	-6424	-992	-1346	-2267	-1146	-1144	-1590	-2356

1) See footnote 1, 2 i table 1.

## NATIONAL ACCOUNTS FOR NORWAY

TABLE A4: GROSS FIXED CAPITAL FORMATION BY KIND OF ECONOMIC ACTIVITY. 1)

At constant 1984-prices. Million kroner

	1984*	1985a	-----1984-----				-----1985-----		
			1.kv.	2.kv.	3.kv.	4.kv.	1.kv.	2.kv.	3.kv.
<b>Gross fixed capital formation</b> .....	114382	98623	23262	34199	29661	27259	21448	24747	26083
<b>Industries</b> .....	100985	85281	19913	30850	26312	23910	18113	21411	22747
Agriculture, hunting, forestry and fishing etc. ....	5372	5469	955	1631	1541	1245	994	1648	1532
Production and pipeline transport of crude petroleum and natural gas .....	33132	22191	2987	14680	10494	4972	3937	5397	6750
Mining and quarrying .	394	374	68	87	121	118	87	66	117
Manufacturing .....	9636	11242	1802	2052	2296	3486	1943	2643	2843
Sheltered manufacturing .....	2761	2644	590	670	553	948	477	582	648
Food, beverages and tobacco .....	2113	2026	465	466	448	733	371	472	490
Printing and publishing .....	648	618	124	204	105	215	106	109	157
Export-oriented manufacturing .....	2414	3480	427	485	610	893	568	886	862
Paper and paper products .....	500	516	90	67	145	198	85	128	129
Industrial chemicals .....	529	636	100	117	137	175	109	176	160
Petroleum refining	152	414	10	14	26	101	50	113	127
Metals .....	1234	1914	227	287	302	419	323	469	446
Import-competing manufacturing .....	4461	5117	786	897	1132	1645	898	1175	1333
Textiles, wearing apparel and footwear .....	207	368	26	43	31	108	50	68	117
Wood and wood products, furniture and fixtures .....	682	736	156	142	173	211	104	158	222
Chemical and mineral products .	998	1268	189	226	269	315	229	324	301
Building of ships and oil platforms	730	585	162	175	185	208	123	122	131
Other manufacturing goods .....	1844	2161	253	312	475	804	393	502	562
Electricity supply ...	7988	8059	1442	1643	2384	2520	1525	1890	2058
Construction .....	2012	1926	503	503	503	503	482	482	481
Oil well drilling ....	893	1322	624	200	-233	301	3	263	282
Wholesale and retail trade .....	4276	4540	1069	1069	1069	1069	1137	1137	1130
Water transport .....	3510	-4267	2664	827	59	-39	488	104	-1183
Transport, storage and communication .....	8312	8455	1787	2271	1709	2546	1799	2077	1960
Dwellings.....	16389	16146	3844	3809	4383	4353	3551	3695	4386
Other private services (incl. commercial buildings) .....	9070	9822	2169	2080	1986	2836	2166	2009	2389
<b>Producers of government services</b> .....	13396	13342	3349	3349	3349	3349	3336	3336	3336

1) Se fotnote 1, 2 i tabell 1.

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NATIONAL ACCOUNTS FOR NORWAY

TABLE A5: EXPORTS. 1)  
At constant 1984-prices. Million kroner

	1984*	1985a	-----1984-----				-----1985-----		
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Exports, total .....	215439	225957	54853	53350	51271	55965	55821	55107	53709
Agricultural commodities and commodities from forestry and fishing ...	1897	2091	519	495	341	543	514	588	395
Crude petroleum .....	51711	55631	12505	12134	12935	14137	12930	12825	15013
Natural gas .....	26616	25764	8001	6638	4753	7225	7911	6502	4797
Commodities from mining and quarrying .....	1409	1360	376	302	342	389	340	316	289
Manufacturing goods ....	67506	70154	16926	16544	15577	18460	17450	17773	16931
Delivered from									
Sheltered manufacturing	8673	8844	1908	2219	2154	2392	2010	2292	2313
Foods, beverages and tobacco .....	8566	8722	1883	2195	2125	2363	1980	2265	2279
Commodities from printing and pub- lishing .....	107	122	25	25	29	29	31	27	34
Export-oriented manu- facturing .....	37557	38541	9628	9233	8721	9975	9638	9841	9378
Paper and paper products .....	6212	6465	1527	1559	1563	1563	1680	1683	1571
Industrial chemicals	6507	6251	1572	1658	1561	1716	1571	1663	1445
Refined petroleum products .....	5081	5990	1367	1093	1047	1573	1345	1471	1531
Metals .....	19757	19835	5161	4923	4550	5124	5043	5024	4832
Import-competing manufacturing .....	21276	22769	5390	5092	4702	6093	5801	5640	5240
Textiles, wearing apparel and footwear	1182	1458	299	260	282	340	374	348	350
Wood and wood pro- ducts, furniture and fixtures .....	1228	1001	276	306	284	363	283	251	218
Chemical and mineral products .....	5273	5875	1353	1311	1233	1376	1496	1459	1397
Ships and oil plat- forms, new (incl. repairs) .....	1850	1724	522	437	216	676	375	528	394
Other manufacturing goods .....	11743	12711	2941	2778	2687	3338	3273	3055	2880
Ships and oil platforms etc, second-hand .....	7437	11578	1805	2696	2073	863	1796	2011	2178
Electricity .....	590	284	153	112	230	96	128	84	39
Oil and gas exploration and drilling (incl. leasing of oil drilling rigs) .....	2369	1806	553	543	515	758	637	282	310
Gross receipts from shipping .....	34635	35078	8781	8815	8588	8451	8799	9219	7881
Direct exports of services in relation to oil activities .....	653	667	175	171	152	154	172	154	161
Pipeline services .....	2861	2708	808	753	529	772	814	691	529
Direct purchases in Norway by non-resident households .....	5751	6424	992	1346	2267	1146	1144	1590	2356
Other services .....	12002	12413	3261	2801	2968	2972	3187	3071	2830

1) See footnote 1, 2 in table 1.

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NATIONAL ACCOUNTS FOR NORWAY

TABLE A6: IMPORTS. 1)  
At constant 1984-prices. Million kroner

	1984*	1985a	-----1984-----				-----1985-----		
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Imports, total .....	172057	184153	42292	42650	42857	44257	43985	44166	45265
Agricultural commodities									
from forestry and									
fishing .....	4998	4920	1346	1379	1044	1229	1353	1292	1018
Crude petroleum .....	3487	2843	924	1157	613	793	749	452	834
Commodities from mining									
and quarrying .....	1990	2097	504	472	546	469	526	490	524
Manufacturing goods ....	100520	111110	26182	23235	24771	26332	27282	26703	25633
Delivered from:									
Sheltered manufacturing	4778	5594	1066	1090	1195	1427	1269	1288	1387
Foods, beverages and									
tobacco .....	3645	4264	788	847	906	1104	945	1017	1021
Commodities from									
printing and									
publishing .....	1133	1330	278	243	289	323	324	271	366
Export-oriented manu-									
facturing .....	21377	22709	5504	4791	5274	5808	5940	5550	5307
Paper and paper									
products .....	2710	2923	698	649	626	737	746	705	665
Industrial chemicals	5421	6041	1329	1336	1292	1465	1512	1565	1406
Refined petroleum ..	4667	4554	1238	876	1247	1306	1307	1049	1088
Metals .....	8579	9192	2239	1930	2109	2301	2375	2232	2148
Import-competing manu-									
facturing .....	74365	82807	19613	17354	18302	19096	20073	19864	18940
Textiles, wearing									
apparel and footwear	9505	10898	2530	2123	2432	2422	2822	2409	2759
Woods and wood									
products, furniture									
and fixtures .....	3793	4445	909	863	865	1156	989	991	1022
Chemical and mineral									
products .....	17563	20129	4159	4222	4211	4972	4669	4842	4810
Ships and oil plat-									
forms (incl. repairs)	11467	9094	4392	1916	3467	1691	2203	2387	1698
Other manufacturing									
goods .....	32036	38240	7623	8230	7327	8856	9390	9235	8650
Transport equipment etc.									
(non-competing) .....	6835	7190	1224	2355	1502	1753	1617	1656	1784
Electricity .....	58	680	8	10	11	29	15	76	175
Various imports of goods									
and services in relation									
to oil activities .....	3877	3371	749	1074	1222	833	629	764	1113
Gross expenditure for									
shipping (excl. repairs)	22331	22404	5656	5681	5545	5449	5684	5800	5378
Direct purchases abroad									
by resident households .	13008	14208	2370	3064	4740	2834	2585	3310	5044
Other services .....	14953	15330	3329	4223	2864	4538	3546	3623	3762

1) See footnote 1, 2 in table 1.

## NATIONAL ACCOUNTS FOR NORWAY

TABLE A7: EXPENDITURE ON GROSS DOMESTIC PRODUCT. 1)

Million kroner

	1984*	1985a	-----1984-----				-----1985-----		
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Gross domestic product .	446620	492845	106844	106733	112941	120102	118514	118018	123381
Final domestic use of goods and services .....	403236	451661	95009	96323	104003	107899	105289	106167	116324
Private final consump- tion expenditure .....	207997	237280	48256	50033	51624	58084	54413	56575	59319
Specified domestic consumption .....	200740	228733	46936	48381	49140	56283	52782	54668	56403
Direct purchases abroad, net.....	7257	8547	1320	1652	2484	1801	1631	1906	2916
Government final consumption .....	83974	92266	20443	20827	21292	21411	22251	23009	23516
Central government .	33472	36548	8153	8278	8482	8559	8841	9100	9296
Civilian .....	20433	21999	4979	5061	5182	5211	5315	5482	5601
Military .....	13039	14549	3174	3217	3300	3348	3525	3619	3695
Local government ...	50502	55718	12290	12550	12809	12852	13410	13908	14220
Gross capital forma- tion .....	111265	122115	26310	25463	31087	28404	28625	26583	33489
Gross fixed capital formation .....	114382	105818	22575	33778	29963	28065	22228	26260	28067
Investment in oil activity .....	32862	23542	3284	14346	10124	5109	3803	5608	7140
Buildings and other construction	47756	51931	10500	11256	12363	13637	10887	12130	13707
Ships and boats ..	4181	-2671	2755	1016	241	169	767	442	-904
Other transport equipment .....	7989	8842	1632	2214	1760	2383	1885	2139	2133
Other machinery and equipment ....	21595	24174	4404	4947	5476	6768	4885	5940	5992
Increase in stocks .	-3118	16297	3735	-8315	1124	339	6397	323	5422
Oil platforms in progress .....	-4361	3740	1946	-6113	-2419	2225	1409	224	603
Exports .....	215439	238141	52142	51905	52345	59047	59498	58919	55529
- Imports .....	172057	196961	40309	41496	43407	46844	46274	47067	48473

1) See footnote 1, 2 in table 1.

TABLE A8: EXTERNAL CURRENT ACCOUNT. 1)

Million kroner

	1984*	1985a	-----1984-----				-----1985-----		
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Export surplus of goods and services .....	43382	41180	11833	10409	8938	12203	13224	11852	7056
Exports of goods and services .....	215439	238141	52142	51905	52345	59047	59498	58919	55529
Imports of goods and services .....	172057	196961	40309	41496	43407	46844	46274	47067	48473
Net interest and trans- fers from abroad .....	-17033	-14537	-4314	-5269	-3573	-3880	-4581	-4120	-2823
Interest, dividends etc., net .....	-12877	-9632	-3545	-4243	-2731	-2359	-3390	-3484	-1581
Transfers, net .....	-4156	-4905	-769	-1026	-842	-1521	-1191	-636	-1242
Surplus on current account .....	26349	26643	7519	5140	5365	8323	8643	7732	4233

1) See footnote 1, 2 in table 1.

## NATIONAL ACCOUNTS FOR NORWAY

TABLE A9: EXPORTS. 1)

Million kroner

	1984*	1985a	1984				1985		
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Exports, total .....	215439	238141	52142	51905	52345	59047	59498	58919	55529
Agricultural commodities and commodities from forestry and fishing ...									
Crude petroleum .....	1897	2383	485	500	345	567	584	687	439
Natural gas .....	51711	55770	12000	11696	13188	14828	14061	13177	14095
Commodities from mining and quarrying .....	26616	29308	7548	6336	4874	7859	8622	7452	5689
Manufacturing goods ....	1409	1457	371	296	341	402	371	341	305
Delivered from	67507	72488	16375	16408	15782	18941	17798	18535	17421
Sheltered manufacturing	8673	9380	1923	2236	2123	2391	2098	2439	2452
Foods, beverages and tobacco .....	8566	9248	1899	2212	2093	2362	2067	2410	2414
Commodities from printing and publishing .....	107	132	24	24	30	30	31	29	38
Export-oriented manufacturing .....	37557	39421	9239	9131	8896	10291	9996	10294	9434
Paper and paper products .....	6212	6871	1448	1505	1608	1652	1766	1781	1685
Industrial chemicals	6507	6517	1523	1649	1578	1757	1602	1766	1498
Refined petroleum products .....	5081	6263	1340	1066	1027	1648	1473	1589	1515
Metals .....	19757	19770	4928	4912	4683	5234	5154	5158	4736
Import-competing manufacturing .....	21276	23687	5213	5041	4763	6259	5703	5803	5535
Textiles, wearing apparel and footwear	1182	1495	272	270	281	360	356	367	358
Wood and wood products, furniture and fixtures .....	1228	1068	271	303	288	366	289	262	239
Chemical and mineral products .....	5273	6171	1232	1233	1282	1527	1522	1517	1472
Ships and oil platforms, new (incl. repairs) .....	1850	1835	505	432	215	699	392	558	420
Other manufacturing goods .....	11743	13118	2934	2804	2697	3308	3145	3098	3047
Ships and oil platforms etc., second-hand .....	7438	11044	1764	2640	2136	898	1722	1911	2136
Electricity .....	590	701	146	119	199	126	292	249	88
Oil and gas exploration and drilling (incl. leasing of oil drilling rigs) .....	2369	1870	543	539	522	765	645	294	325
Gross receipts from shipping .....	34635	39300	7833	8356	8899	9547	9860	10474	8596
Direct exports of services in relation to oil activities .....	653	716	168	167	156	163	177	164	173
Pipeline services .....	2861	3133	787	742	587	745	882	744	696
Direct purchases in Norway by non-resident households .....	5751	6756	970	1334	2282	1165	1175	1658	2496
Other services .....	12002	13216	3155	2773	3034	3040	3308	3233	3068

1) See footnote 1, 2 in table 1.

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NATIONAL ACCOUNTS FOR NORWAY

TABLE A10: IMPORTS. 1)  
Million kroner

	1984*	1985a	-----1984-----				-----1985-----		
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Imports, total .....	172057	196961	40309	41496	43407	46844	46274	47067	48473
Agricultural commodities									
from forestry and									
fishing .....	4998	4980	1338	1355	1042	1263	1412	1379	979
Crude petroleum .....	3487	3015	917	1143	634	793	852	508	836
Commodities from mining									
and quarrying .....	1990	2204	511	441	538	500	564	541	553
Manufacturing goods ....	100520	117111	25276	22863	24936	27444	28301	27954	27259
Delivered from:									
Sheltered manufacturing	4778	5712	1030	1097	1213	1438	1319	1339	1396
Foods, beverages and									
tobacco .....	3645	4354	758	850	930	1107	982	1051	1048
Commodities from									
printing and									
publishing .....	1133	1358	272	247	284	330	337	288	348
Export-oriented manu-									
facturing .....	21377	23656	5352	4722	5311	5991	6239	5866	5448
Paper and paper									
products .....	2710	3161	652	644	634	780	799	762	715
Industrial chemicals	5421	5915	1342	1335	1288	1456	1502	1545	1381
Refined petroleum ..	4667	4678	1219	854	1241	1353	1384	1114	1069
Metals .....	8578	9902	2139	1889	2149	2401	2554	2446	2282
Import-competing manu-									
facturing .....	74365	87743	18894	17044	18412	20016	20742	20749	20415
Textiles, wearing									
apparel and footwear	9505	11960	2337	2010	2520	2638	2946	2512	3128
Woods and wood									
products, furniture									
and fixtures .....	3793	4748	866	854	848	1226	1028	1058	1063
Chemical and mineral									
products .....	17563	21036	4110	4181	4164	5109	4872	5084	5015
Ships and oil plat-									
forms (incl. repairs)	11467	9550	4221	1899	3549	1799	2171	2436	1817
Other manufacturing									
goods .....	32037	40448	7360	8101	7332	9244	9725	9658	9393
Transport equipment etc.									
(non-competing) .....	6834	7900	1187	2290	1536	1821	1684	1798	1962
Electricity .....	58	787	10	15	11	23	23	107	221
Various imports of goods									
and services in relation									
to oil activities .....	3877	3631	716	1043	1246	873	648	814	1198
Gross expenditure for									
shipping (excl. repairs)	22331	25457	4842	5192	5745	6551	6305	6526	5912
Direct purchases abroad									
by resident households .	13008	15303	2290	2986	4766	2966	2806	3565	5412
Other services .....	14953	16572	3222	4167	2954	4611	3679	3875	4140

1) See footnote 1, 2 in table 1.

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NATIONAL ACCOUNTS FOR NORWAY

TABLE A11: FACTOR INCOME BY KIND OF ACTIVITY. 1)

Million kroner

	1984*	1985a	-----1984-----				-----1985-----		
			1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Factor income, total ...	332248	368521	80412	78854	84240	88742	89856	87960	92207
Industries .....	274232	304754	66291	64447	69518	73977	74615	72053	75868
Agriculture, hunting, forestry and fishing etc. ....	14778	17778	2682	755	8202	3138	3131	1618	9090
Production and pipe- line transport of crude petroleum and natural gas .....	58597	66159	14800	13524	12765	17508	18144	15664	14432
Mining and quarrying .	1517	1640	379	386	348	403	426	410	368
Manufacturing .....	56799	59378	14499	14242	12783	15276	14882	14832	13409
Sheltered manu- facturing .....	13261	13901	3293	3548	2945	3474	3407	3564	3139
Food, beverages and tobacco .....	7594	7694	1805	2190	1663	1937	1792	2075	1735
Printing and publishing .....	5666	6207	1488	1358	1283	1537	1615	1489	1404
Export-oriented manufacturing .....	12818	12074	3121	3224	3076	3396	2976	3202	2943
Paper and paper products .....	2587	2752	629	591	625	742	740	679	662
Industrial chemicals .....	2404	2430	585	589	580	650	517	655	597
Petroleum refining	-575	-673	-71	-100	-227	-177	-354	-153	-75
Metals .....	8403	7565	1978	2144	2099	2181	2073	2020	1759
Import-competing manufacturing .....	30720	33403	8085	7469	6761	8406	8498	8067	7327
Textiles, wearing apparel and foot- wear .....	1600	1701	439	401	332	427	438	431	356
Wood and wood pro- ducts, furniture and fixtures .....	4307	4570	1086	1044	951	1225	1118	1095	1028
Chemical and mineral products .	5577	6402	1344	1322	1330	1580	1566	1556	1513
Building of ships and oil platforms	6406	6940	1726	1606	1365	1708	1836	1695	1466
Other manufac- turing goods .....	12832	13791	3489	3095	2783	3465	3541	3290	2964
Electricity supply ...	9504	10456	3172	2021	1782	2529	3857	2163	1542
Construction .....	17541	19658	3780	4306	4460	4994	4108	4678	5066
Wholesale and retail trade .....	36074	39819	8545	9182	8547	9799	8951	9847	9521
Water transport and oil well drilling ....	6752	7716	1520	1867	1971	1394	1961	2547	1320
Transport, storage and communication ....	17449	18519	4148	4527	4444	4330	4491	4647	4562
Dwellings .....	10920	11920	2667	2732	2748	2773	2955	2945	2987
Other private ser- vices .....	61034	69249	14332	15308	16446	14949	16116	16614	18137
Correction sectors ...	-16733	-17539	-4233	-4404	-4980	-3117	-4405	-3911	-4566
Producers of government services .....	58016	63767	14121	14407	14723	14765	15240	15907	16338

1) See footnote 1, 2 in table 1.

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