

Macroeconomics

The unit is engaged in empirical studies of the Norwegian economy – structure and development - in a macroeconomic perspective. The research is mainly based on Statistics Norway’s short-term statistics and national accounts data, and development and use of econometric time series methods and models. Important external users of the models are Ministry of Finance, Ministry of Labour and Social Inclusion and Stortinget (the parliament).

Main areas of research

Economic surveys and forecasts are published quarterly in parallel editions in Økonomiske analyser (ØA) and Economic Survey (ES). The latter is only published electronically. The forecasts are constructed using the quarterly macroeconomic model KVARTS. The Research Department is a member of AIECE (Association d’Institutes Européens de Conjuncture Economic) and the UN-based Project LINK, linking several national macro models to a global model.

Documentation: ØA 1/2008, 3/2008, 4/2008, 6/2008, ES 1/2008, 2/2008, 3/2008, 4/2008, SSP 5-6/2008, [44], [47], [70], [71], [72], [73], [76], [100], [101] and [102].

The unit develops and uses two large macro-econometric models - the quarterly model KVARTS and the annual model MODAG. Except for the difference in data frequency, the economic content of the two models is almost identical. The KVARTS model is used for forecasting and economic analysis in our business cycle reports. The model is also used to provide alternative scenarios for the Government appointed Expert Committee for Income Settlements in connection with the annual nation wide wage and income negotiations. The MODAG model is mainly used by the Ministry of Finance for forecasting and policy analysis, and by the unit itself in assisting parties in the Standing Committee on Finance and Economic Affairs in the parliament. Both models have been central tools in various historical/counterfactual studies of the Norwegian economy. In 2007 both models were rebased to the revised national accounts data for 2006 published in 2008. The econometric equations in KVARTS are in general under continuous revision. Lately the work has been centred around the following topics: Household consumption, import prices and Statens pensjonsfond – Utland.

Documentation: Sosiale og økonomiske studier: 111. Rapporter: 2008/18, 2008/21, 2008/29 and 2008/39. DP: 556 and 562. Documents: 2008/12. Notater 2008/21, 2008/48 and 2008/62. ØA 2/2008, ØA 5/2008, [9], [10], [24], [43], [46], [95] and [107].

Main Findings

The demand and supply of labour by education have been projected up until 2025. The conclusion is that demand for labour with high education will continue to increase, while the need for those with less education will fall. These trends are in the literature explained by an increase in the use of technology that substitutes unskilled labour and complements skilled labour. Nevertheless, the demand and supply of labour by length of educational seems to balance fairly well, even without increased frequencies among students to enter higher education. The reason for this is that those who leave the labour force will have considerably lower education compared to those who will enter.

Documentation: Rapporter 2008/29

Over the last 20 years we have seen large-scale substitution of imports from high cost countries to low cost countries. This has been a major contributor to low consumer price inflation in the same period. An export price indicator including price level effects is constructed, and a relation is estimated for Norwegian import prices on clothing. Price and exchange rate pass through is found to be somewhat

larger and the Pricing to market effect of domestic costs somewhat smaller compared to the aggregated import price equation in MODAG and earlier findings for industrial products.

Documentation: Notater 2008/48

A new documentation of MODAG was published in 2008. The book, which is a product of a comprehensive cooperation between the Division of Economics at the Ministry of Finance and the Unit for macroeconomics at the Research Department of Statistics Norway, attempts to provide a near complete documentation of the model, as it was available in October 2007. This model version with 2004 as the base year differs substantially from previous versions as exchange rates and import prices now are endogenously determined by the model. Building on earlier documentation and covering unpublished work, the book seeks to give materials to readers who look for a general overview of the model as well as to readers who utilise the model in their daily work. Hence, the book provides a detailed description of the various parts of the model. At the same time, a bird's eye perspective of the model is provided.

Documentation: Sosiale og økonomiske studier 111

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