

Economic survey

Perspectives

We have put behind us a year of stagnation and, to some extent, downturn in economic activity globally. The situation in Europe in particular remains very gloomy. Yet, during 2012, Norway enjoyed its highest growth in production since the financial crisis. However, certain segments of the Norwegian economy are clearly being affected by the weak developments among our key trading partners. Traditional Norwegian exports and industrial investments developed poorly towards the end of last year. This slowed the rate of growth in the mainland economy and dampened prospects for growth during the current year.

In Europe, policy and economic developments remain dominated by a financial policy of public sector cuts and tax rises, while the European Central Bank is attempting to stimulate the economy through low interest rates and an expansive monetary policy. Fiscal policy tightening is also continuing in the USA. Nevertheless, there is markedly higher growth in the USA than in Europe, as well as some positive trends, e.g. in the housing market. We do not expect to see an upturn in growth among Norway's trading partners during 2013. The prospects for 2014 are brighter, but there is no reason to anticipate a global economic recovery before 2015.

This dismal development will impact on the Norwegian economy over the next few years. We must continue to expect markedly lower growth in the mainland economy than has been the norm during periods of economic growth in Norway. The low rate of growth globally will probably lead to lower prices for key export products, thereby weakening Norway's balance of payments with other countries, with the result that our real disposable income will increase less than it did during the two previous years. The Norwegian economy is however influenced by three special factors: sound government finances which make it possible to pursue a different fiscal policy compared with the countries around us, an extremely profitable and expanding petroleum sector and a high rate of inward labour migration.

When we look at the trend in the level of activity in the Norwegian economy since 2003 as a whole, labour immigration has played an important role. Around 60 per cent of the growth in employment since 2004 has come from inward labour migration. Labour migrants account for over 40 per cent of immigration, and they correspond to almost half a birth cohort in Norway annually. More inhabitants means more customers and more suppliers in most domestic markets. The fact that labour migrants have become more visible in both statistics and working life has led many to ask whether the Norwegian economy has become *dependent on* inward labour migration.

If one interprets the expression "*dependent on*" literally, the answer must be no. If inward labour migration had been considerably lower, segments of the Norwegian economy and industry would certainly have been somewhat different, but it is difficult to justify a claim that the standard of living would generally have been lower. Output and living standards also increased before 2004, as in other countries without high immigration. Analyses of the growth in living standards in Norway and other wealthy countries point to factors very different from immigration as fundamental driving forces in the long term. Increased immigration can also not be a consequence of a high standard of living, rather a cause of it.

Instead of asking whether we are dependent on inward labour migration, we can ask whether inward labour migration gives Norway economic benefits and, if so, who enjoys these benefits, and how immigration impacts on the way in which the economy operates. Inward labour migration has economic consequences for many groups in society. Viewed in isolation, an increase in inward labour migration will result in higher earnings for business owners, as it means that the Norwegian labour market is less restrictive as regards the supply of labour. Inward labour migration leads to more competition in certain segments of the labour market and in many service markets, and contributes to low rates of growth in wages and prices. For consumers this is obviously an advantage overall. However, the picture is more mixed for those who directly or indirectly compete with immigrants in the labour market, as they may experience a lower rate of growth in their income than would otherwise be the case. Some may also find that they are competed out of the market altogether. Any mismatch between the qualifications of those who are resident in Norway and what employers are seeking will become more apparent and may have major consequences when companies are able to search for labour and the right skills abroad, rather than appointing unemployed people who thereby lose out on valuable occupational training. Together with generous social security schemes, this may result in more and more people being permanently shut out of the labour market.

Inward labour migration has much in common with the rise in global trade of goods and services. There will again normally be a positive and a negative side in the short term in this regard, depending on whether one is primarily a consumer or a competitor. However, global trade will generate a net gain over time, as a result of mutually beneficial international division of labour between countries. Correspondingly, the potential for the profitable specialisation of Norwegian resource consumption may increase when inward labour migration can replace and supplement ordinary imports. In particular, location-based production in Norway, such as building and construction works, hotel and restaurant services, are increasingly being imported through inward labour migration.

One effect of immigration which has attracted considerable attention is the possibility of changes in the relationship between those who are in the labour force and those who are outside. Those already residents in the country will primarily experience this effect through changes in public finances. If high immigration weakens the public finances, this will in isolation mean a reduction in living standards for those already resident in Norway, because taxes will have to be raised and/or public welfare measures trimmed in the long term, compared with the lower immigration scenario. Labour income forms the basis for most taxes in Mainland Norway, and the alternative to work is usually subsistence via social security schemes and state benefits. The importance of employment for public finances is greater in Norway than it is in most countries, because a loss of income typically triggers generous state payments, which are financed by relatively high taxes on employment. No complicated calculations are necessary to show that an immigrant who arrives in Norway fully qualified, normally works from the first day and returns home before reaching an age where disability benefit and the frequent use of health and care services becomes common, will contribute far more to tax revenues than to public expenditure. Such inward labour migration is however hardly very representative. Labour migrants who arrived in Norway during the 1970s have largely stayed and have on average left employment earlier than the majority of the population. We currently have little information to relate to as regards the latest wave of labour migrants and their families' economic lifecycle and long-term labour market affiliation.

The economic effects of migration for the country of emigration are rarely, perhaps too rarely, considered in the Norwegian debate. These effects can also be both positive and negative. Emigration of the unemployed will normally benefit those who remain behind, partly because public expenditure on the unemployed will fall. The benefit is further reinforced if the emigrants also send a proportion of their income back to their home country, where the purchasing power of the Norwegian krone is normally far higher than in Norway. Emigrants may also return to their country of origin with greater expertise than they would have acquired at home, and with social security and pension entitlements from Norway. However, negative effects will arise for the country of origin if it is consistently the most productive workforce that emigrants. Such a 'brain drain' increases the real economic and state financial provider burden in the country of emigration. This can often be the case in countries which have what are to some extent overstretched public finances. There are currently no mechanisms to prevent anyone from moving from a country with a high national debt to a country with strong public finances within the EEA. This gives unfortunate and unintentional incentives. A high rate of emigration can also have a destabilising effect in the short and medium term. High emigration increases real capital per inhabitant who remains behind. This reduces the need for investments, whilst lower property prices dampen private consumption. Economic growth is weakened as a result.

Immigration to Norway has considerable regional effects. Immigrants are represented in every municipality in the country, and far fewer municipalities are experiencing depopulation than was previously the case. Overall, the peripheral municipalities have experienced population growth during the past four years, after around 25 years of declining populations. On the other hand, most immigrants move to the largest towns and cities and their surrounding areas, and over time a significant proportion of immigrants relocate from peripheral areas to more central areas. Overall, immigration puts additional pressure on areas with a high population density.

A high rate of immigration and population growth suggests that certain figures for economic development should be viewed in a different light than was previously the case. An obvious example is that greater emphasis should be placed on *figures per capita* when assessing developments in output, consumption and income. Developments in the Norwegian economy in recent years clearly illustrate that periods with high immigration result in major differences between figures for the country as a whole and per capita. Whereas real mainland GDP in 2012 was 24.2 per cent higher than in 2004, the increase was only 14.0 per cent when measured per capita. For disposable real income, the corresponding increases were 30.5 per cent and 19.7 per cent respectively. However, not even the trend per capita will always give a good indication as to how the situation for individuals is changing. A labour immigrant may experience rapid growth in his or her own income and consumption by coming to Norway, yet at the same time also contribute to a reduction in average income and consumption levels in Norway. In the same way, it is possible that the person concerned will drag average productivity down, because their low productivity prior to immigration did not count.

Inward labour migration to Norway may vary considerably. However, with the income advantage that Norway has over many other countries, including EEA countries, one must assume that the variation will be centred around a high level for many years to come. This gives reason to ask whether one should reassess what constitutes normal growth rates and developmental trends for the Norwegian economy. The high rate of immigration shows that economic activity can to a great extent fluctuate into and out of the Norwegian economy far more quickly than was previously the case. When labour migrates between countries, both demand and capacity move with it. Flexible inward and outward migration help to make the labour market more adaptable to changes in demand and economic fluctuations. This means that the information value of many figures, such as the unemployment rate, is reduced and to some extent altered as indicators of the pressure in the economy. The growth during the economic boom prior to the financial crisis would probably have triggered stronger pressure on wages and prices had capacity not been expanded through high inward labour migration. From this perspective, it could be argued that more opportunities for immigration and emigration have given the Norwegian economy a new type of automatic stabiliser.

An increase in immigration can also create destabilising mechanisms. Each additional inhabitant will result in greater demand, particularly for real capital. In the role of employee, machinery and equipment are required, while in the role of consumer, housing and shops are required, in addition to roads and other public infrastructure such as nurseries, schools and health centres. Behind every existing inhabitant is real capital of approximately NOK 1.3 million on Mainland Norway. Almost half consists of housing capital. To illustrate this point, in order for an immigrant family of four to achieve this level of capital over a period of five years, it would require a work contribution of about one full-time equivalent during each of these years. In addition to this is the work contribution that is required to satisfy the immigrants' demand for other services and consumer goods.

When stocks of real capital are to be increased substantially, it will create pressure and fluctuations in the economy. Whereas consumption is closely synchronised with ongoing production and income, investments follow a completely different dynamic. In order to increase the annual services from real capital by NOK 1, an average investment of NOK 11 would be required. A relatively modest increase in the consumption of capital services can therefore result in a substantial increase in investments, which then tail off relatively sharply once the required capital stocks are in place. Keynes' theory that unpredictable fluctuations in investments are an important source of macro-economic instability is therefore still relevant and is reinforced by the fact that many investment projects in Norway are large compared with the size of the economy. This could indicate that assessments of demand pressure in the economy should to a greater extent than previously focus on markets for capital goods, where supply cannot increase rapidly. Important examples here are the markets for housing, commercial buildings and major infrastructure.

More opportunities for inward migration thus make it easier to expand capacity, whilst at the same time the development in itself can reinforce the pressure on many capacity limits, which triggers increased investment. Inward labour migration can thus be self-reinforcing, at least for certain periods of time. To put it differently: Additional inward labour migrants are employed to build homes, but the new immigrants themselves require housing which in turn requires more labour immigrants. The opportunities for spirals of this type are present, but there is little evidence available at the present time to indicate their importance.

Investments are based on expectations, and uncertainty concerning the future creates a risk of the wrong investments being made. More opportunities for immigration and emigration increase this uncertainty. High immigration rates over many years gradually create considerable potential for emigration. A substantial fall in net immigration, or possibly even net emigration, would considerably reduce the demand for real capital. This uncertainty is partly linked to the need for public infrastructure, e.g. school construction, communications and roads, and infrastructure of importance for housing construction. Greater uncertainty therefore leads affects the public sector as an investor. Economic rational adaptation to greater uncertainty means that investments will be at a lower level than the anticipated need. A certain "wait and see" attitude, partly with regard to developments in Europe, may therefore be a sensible approach before expanding in order to "meet all anticipated needs". However, this means that one accepts pressure on the capacity of certain sectors at times. In simple terms, this means periods with more congestion, queues and higher land and housing prices than are experienced with rapid development. There is thus a basis for protests and the rationale of the policy is not easy to communicate.

The high rate of immigration gives both benefits and challenges for the Norwegian economy. The policy must take all these into consideration. The group that perhaps benefits most from immigration is the immigrants themselves. For many, their standard of living can rise considerably and quickly, particularly as the situation stands at the moment in many of the countries from which immigrants originate. This is a circumstance which should not be forgotten.

Cyclical developments in Norway

The cyclical upturn which began at the turn of the year 2010/2011 continued throughout most of 2012, but the downturn in power generation contributed to the growth rate during the fourth quarter being lower than the trend growth in the mainland GDP. Manufacturing output also developed particularly poorly towards the end of 2012, partly due to low growth internationally which contributed to the downturn in exports of traditional goods. With the construction and engineering sector, the level of activity developed poorly throughout the second half of last year.

On an annual basis, economic growth measured in terms of the mainland GNP amounted to 3.5 per cent in 2012, which is the highest rate of growth since 2007. However, unusually high power generation last year and low generation during the previous year helped to boost this growth by 0.3 percentage points, so that the underlying growth is just 0.5 percentage points higher than trend growth. Petroleum production was at the same level as the previous year, after falling for many years. Last year's increase thus ended in a GDP totalling 3.2 per cent, which is the highest growth rate recorded since 2004.

Table 2.1. **Macroeconomic indicators 2011-2012. Growth from previous period unless otherwise noted. Per cent**

	2011*	2012*	Seasonally adjusted			
			12:1	12:2	12:3	12:4
Demand and output						
Consumption in households etc.	2.5	2.9	0.8	0.9	0.7	0.3
General government consumption	1.8	2.1	0.0	1.3	0.2	0.1
Gross fixed investment	7.6	8.1	3.9	1.3	2.8	1.0
Mainland Norway	8.5	3.9	2.5	0.4	4.0	-0.6
Extraction and transport via pipelines	14.1	14.4	3.8	5.2	0.4	5.0
Final domestic demand from Mainland Norway ¹	3.3	2.9	0.9	0.9	1.2	0.1
Exports	-1.8	2.2	5.1	0.4	-3.5	-0.1
Crude oil and natural gas	-6.2	0.9	6.7	1.6	-6.8	-1.8
Traditional goods	0.0	2.6	5.2	-0.4	0.6	-1.4
Imports	3.8	3.3	0.4	1.7	-0.2	1.3
Traditional goods	3.6	2.1	1.1	0.3	0.6	-0.8
Gross domestic product	1.2	3.2	1.3	0.8	-0.6	0.4
Mainland Norway	2.5	3.5	1.0	0.7	0.8	0.3
Labour market						
Man-hours worked	1.8	2.1	0.6	0.4	0.5	0.5
Employed persons	1.3	2.2	0.7	0.7	0.4	0.3
Labour force ²	1.1	1.8	0.6	0.4	0.0	0.3
Unemployment rate, level ²	3.3	3.2	3.2	3.0	3.1	3.5
Prices and wages						
Annual earnings	4.2	4.0	..	..	..	..
Consumer price index (CPI) ³	1.2	0.8	0.8	0.4	0.4	1.2
CPI adjusted for tax changes and excluding energy products (CPI-ATE) ³	0.9	1.2	1.4	1.1	1.2	1.2
Export prices, traditional goods	5.7	-4.4	-1.4	-1.7	-1.6	1.1
Import prices, traditional goods	4.2	0.5	0.3	-0.4	0.6	0.0
Balance of payment						
Current balance, bill. NOK	351.4	414.0	136.6	78.0	94.2	105.2
Memorandum items (unadjusted level)						
Money market rate (3 month NIBOR)	2.9	2.2	2.6	2.3	2.1	1.9
Lending rate, credit loans ⁴	3.6	3.8	4.0	3.9	3.8	3.7
Crude oil price NOK ⁵	621	649	684	641	646	625
Importweighted krone exchange rate, 44 countries, 1995=100	88.1	87.1	87.6	87.6	87.2	85.8
NOK per euro	7.79	7.48	7.59	7.56	7.39	7.37

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

² According to Statistics Norway's labour force survey (LFS).

³ Percentage change from the same period the previous year.

⁴ Period averages.

⁵ Average spot price, Brent Blend.

Source: Statistics Norway and Norges Bank.

The gross product of public administration rose by just 1.8 per cent during 2012. It is thus developments in market-oriented activity that has contributed to the high rate of growth in the mainland economy. In the service industries, growth was approximately on a par with the development in the mainland economy as a whole, while a substantial increase from 2011 to 2012 in construction and engineering activity and in the aquaculture industry, combined with power generation, helped to boost the growth rate significantly.

Whereas fiscal policy clearly dampened the downturn following the financial crisis, the impulses in recent years have been cyclically neutral. The continued expansionary monetary policy involving low interest rates has continued to stimulate both household consumption and the housing market. These are factors that have contributed to the growth in output in market-oriented services and in the building and construction sectors, and therefore also to the cyclical upturn in the Norwegian economy.

Developments in the activity levels of various industries are closely linked to the impulses from demand. Traditional exports have seen minimal growth. This also applies to business investment, while investments in the petroleum sector and housing have increased considerably. Consumption in public administration has risen moderately over the last two years, while household consumption has increased more. Compared with a more normal economic pattern for the Norwegian economy, it is the growth in traditional exports and business investment over the last two years that is particularly slow. This is consistent with the low rate of growth in the global economy. The economic upturn from 2003 to 2007 was characterised by strong growth in demand for Norwegian exports. This contributed to both high growth in export volumes and an improvement in the balance of trade for traditional goods. This in turn led to high profitability, high investments and high growth in labour productivity. In what has so far been a very moderate Norwegian economic recovery, the poor growth in the global economy, particularly among our traditional trading partners, has dampened this recovery. Thus, the cyclical pattern is rather atypical when one studies the details on both the production and the demand side of the Norwegian economy.

Another unusual aspect of the cyclical development is the poor growth in labour productivity at macro level so far during the economic recovery. Productivity growth normally increases markedly towards the end of a downturn and at the start of an economic recovery. This pattern is clearly manifest in the 2000s up to 2009. The growth in productivity should normally have picked up after this. This occurred in 2010, although productivity developments during 2011 and 2012 were surprisingly poor, especially as it is in market-oriented enterprises that growth has manifested. During 2012, productivity growth picked up somewhat, but it remains low given that we are at a relatively early stage

in an economic recovery. One of the reasons for this is that investment growth in many areas of industry has been absent, partly as a result of the disappointing global developments. This has meant that increased capital intensity has not made the normal contribution to greater labour productivity. As shown in Chapter 3, the contribution from greater capital intensity has actually been negative in 2012, so that the entire productivity growth is linked to higher total factor productivity. This is relatively unusual.

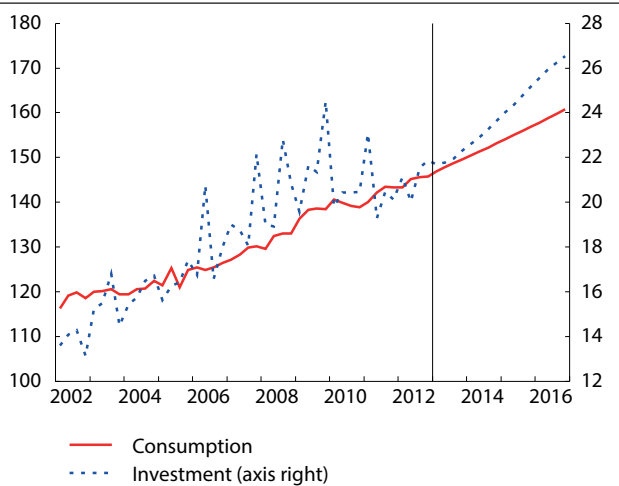
The counterpart to the poor growth in productivity is the high rate of employment growth over the past two years. During 2012, the number of people in employment increased by 2.2 per cent. Although the workforce has also increased considerably, unemployment as an annual average has nevertheless fallen slightly. The decline is 0.4 percentage points from the peak in 2010 to 3.2 per cent in 2012. The growth in employment was markedly reduced from the first to the second half-year last year, the fall in unemployment has now long since ceased and the Labour Force Survey (LFS) showed a clear tendency for an increase in unemployment towards the end of last year.

Consumer price growth remains low and shows no clear signs of change in the underlying trend. In 2012, the total growth in the CPI was as low as 0.8 per cent as a result of a fall in the price of electricity of almost 20 per cent. Measured in terms of CPI-ATE adjusted for tax changes and excluding energy products (CPI-ATE), inflation has remained stable at just over 1 per cent since the economic recovery began two years ago. During this period, imported inflation has been low. The reason for this may partly be attributed to the strengthening of the krone exchange rate that has been taking place for several years and to the fact that world market prices are rising only slightly as a result of poor growth in the global economy. Low and declining interest rates have also contributed over time to a reduction in financial costs that impact on the growth of property rental rates and trading margins.

Our assessment of the development in the coming few years is now slightly less positive than previously. The crisis-ridden economic development among many of Norway's key trading partners has become stronger in recent times and growth may be even lower in 2013 than during the previous year. We believe that growth will then pick up again relatively slowly. This means that the recovery of the Norwegian economy will not be boosted to any significant degree for some time and Norwegian export-oriented industries will have to fight for market shares in virtually stagnant markets. On the other hand, this would also suggest that we will receive little inflationary impulses from abroad and that policy rates in both the USA and Europe will remain low.

Nevertheless, an increase in domestic demand is contributing to further recovery of the Norwegian economy, but it remains weak. Fiscal policy in Norway is

Figure 1. **General government. Seasonally adjusted at constant 210 prices. NOK billion. Quarter**



Source: Statistics Norway.

not expected to give strong impulses to further growth other than through the positive effect of low interest rates on domestic demand. The fiscal policy may give slightly stronger impulses to growth as a result of strong growth in transfers and our assumption of higher growth in gross investments in public infrastructure. The petroleum sector has contributed significantly to the economic recovery over the last two years. We expect the growth in demand from this sector, even if it declines, to be sufficient to ensure that the underlying upturn in the Norwegian economy will continue.

In 2015 and 2016, we expect the growth in demand to even out more between the sectors, compared with our forecasts for the next two years. This follows from the assumption of slowly increasing growth in the global economy, where monetary policy will gradually normalise and interest rates rise slightly. Growth in household demand will then diminish somewhat, while exports will contribute slightly more to the overall growth. As the development in demand from the petroleum sector also moderates and investments in mainland industries continue to grow modestly, the growth in the mainland economy will fall back towards the trend growth rate.

We expect growth in employment to remain relatively high, but not as high as during the previous two years. The workforce is increasing roughly in line with employment, which means that we do not anticipate any major changes in unemployment in the immediate future. The pressure on the labour market is reduced by the high rate of immigration, not least from neighbouring economies experiencing unemployment levels substantially higher than the Norwegian level. We expect wage growth this year and next to fall slightly compared with last year, but we expect real wage growth to remain high in a historical perspective, particularly in relation to other OECD countries. Towards the end of the forecast period, the global improvement will help to boost the profitability of traditional export businesses,

which in turn could help to boost wage growth nominally. At the same time, inflation will also rise, with the result that real wage growth may actually fall instead. Given the marked growth in employment, this will result in high growth in household income and, in conjunction with a substantial growth in transfers, we expect the household saving ratio to remain high.

Fiscal policy

Government consumption increased by 2.1 per cent from 2011 to 2012. The growth rates for consumption in municipal government and civil state government were approximately equal, while military consumption remained virtually unchanged. Total gross investments in public administration increased modestly during 2012, while investments in civil administration increased by almost six per cent. It is estimated that transfers to households, equivalent to around 17 per cent of GDP Mainland Norway, rose by approximately 5.4 per cent last year, resulting in real growth of 4.6 per cent. This means that the sum of purchases of goods and services by the public administration for consumption and investment purposes, as well as transfers, rose in real terms by 2.9 per cent from 2011 to 2012. This is slightly above the trend growth in the mainland economy, a factor which can be said to have resulted in a small positive cyclical impulse last year. With a growth in population during 2012 of 1.3 per cent, growth in expenditure per capita was around 1.5 per cent.

Our estimates for 2013 fiscal policies are close to the estimates in the National Budget for 2013 (NB2013). Real growth in consumption in public administration is estimated to be a par with the growth during 2012. A stronger focus on investments in infrastructure means that gross investments will increase somewhat more and we expect the growth in volume this year to be 4 per cent. The strong real growth in transfers is continuing much as it did during 2012. Strong growth in pension benefits in the coming years will reduce the scope for action in the fiscal policy to some extent. Total real growth from the three aforementioned budgetary components, which collectively constitute nearly 90 per cent of total public expenditure, could increase by close to 0.5 percentage points from 2012 to 2013. The projections for tax and duty rates are as usual based on the estimates in NB2013. Rates have generally been adjusted to account for growth in prices or income and may be regarded as unchanged in real terms. These estimates are identical to those that we have used in our previous economic surveys.

In 'A new balancing of the 2012 national budget 2012' (Prop. 42 S), the government projects the structural, oil-corrected budgetary deficit (SOBD) at NOK 109 billion, which represents 3.3 per cent of fund capital at the start of 2012. Our budget estimate for 2013 does not differ much from NB2013 on either the expenditure or the revenue side. We project that, as a proportion of fund capital, SOBD will be close to 3 per cent in 2013.

For the period 2014 - 2016, no fiscal policy has been announced. The uncertainty regarding our assumptions is thus considerably greater than for 2013. The general election this autumn may result in a change of direction in fiscal policy. However, as in previous economic reports, we have chosen to continue the key aspects of the current fiscal policy. The growth in government consumption increases somewhat during the forecast period compared with the estimates for 2013. This is partly the result of changes in the number of effective working days and partly because when growth in investment rises in line with higher ambitions concerning the development of infrastructure, the services from public consumption capital will increase. Going forward, we expect the growth in transfers to continue the trend of 2013 in real terms, and tax rates have been adjusted for the nominal development of prices or income as has largely been the case in recent years. In sum this will increase the growth impulses from fiscal policy during the period 2014-2016 by around 0.5 percentage points compared with 2012, so that the real growth in expenditure will be around 3.5 per cent per year. As a result of relatively high oil prices in the future, we anticipate further strong growth in the Norwegian Government's Pension Fund Global. This means that even with a slightly higher rate of growth in expenditure in real terms, SOBD will remain in the range 2.5-3 per cent as a proportion of fund capital during these years.

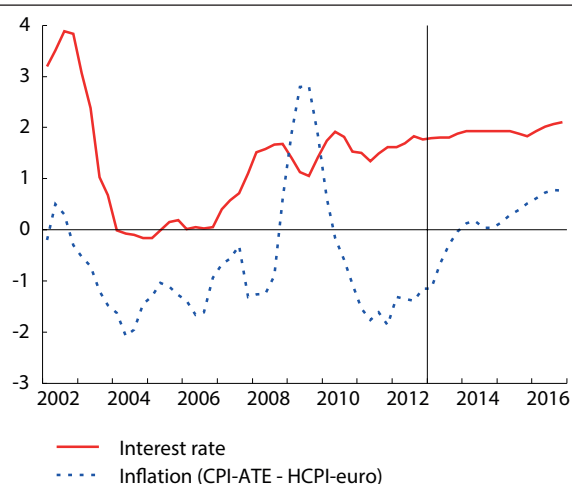
Monetary policy

The policy rate has been 1.5 per cent for almost a year now. This is 0.25 percentage points above the record low of summer 2009. As an annual average, the policy rate was 1.55 per cent during 2012. This is 0.20 percentage points lower than during 2009, which until now has been the lowest level for the policy rate on an annual basis.

Norges Bank sets the policy rate, although it is market rates that are important for the growth of the real economy. At the end of 2012, the three-month interbank rate was just over 1.8 per cent, so that the mark-up between the policy rate and the interbank rate was close to 0.3 percentage points. At the start of 2012, the interbank rate was 2.9 per cent and it fell throughout the year, particularly in connection with the surprising reduction in the policy rate in March last year. As an annual average, the interbank rate was 2.24 per cent in 2012. It is lower than in the crisis year of 2009, but not as low as in 2004 and about as low as in 2005, when the mark-up on the policy rate was less than it is now. In January this year, the interbank rate rose somewhat and has been about 1.9 per cent throughout February.

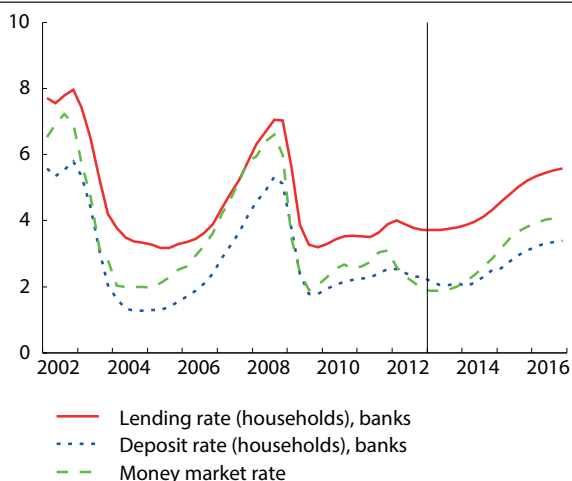
The national debt crisis in many countries and the after-effects of the financial crisis in real economic terms goes a long way to explaining the low interest level in Norway. In the euro zone, the interbank rate has been below 0.2 per cent since September last year. The high interest rate differential, combined with

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



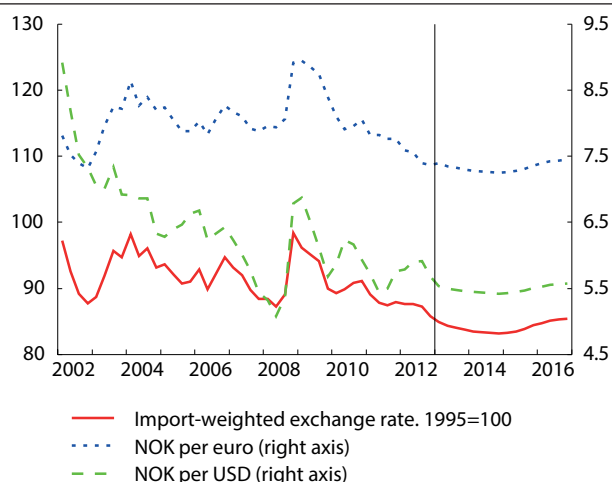
Source: Norges Bank and Statistics Norway.

Figure 3. Norwegian interest rates. Per cent



Source: Norges Bank and Statistics Norway.

Figure 4. Exchange rates



Source: Norges Bank.

Box 1. Stricter requirements concerning the equity of financial institutions

In the next few years, new international regulations imposed by the Basel Committee will lead to stricter requirements concerning the banks' tier 1 capital. These regulations will also be incorporated into the EU's Capital Requirements Directive. The minimum requirement for pure tier 1 capital adequacy - which is roughly defined as the ratio between equity and risk-adjusted assets - will be increased from 2 to 4.5 per cent. A requirement for a capital conservation buffer of 2.5 per cent is also being introduced. If a bank does not satisfy the requirement for a capital conservation buffer, limitations will be imposed on how much the bank can pay in dividends until the bank satisfies the requirement. A scheme is also being introduced involving a countercyclical buffer of up to 2.5 per cent. The proposal for the EU's Capital Requirements Directive means that Systemically Important Financial Institutions (SIFIs) may have a requirement for a systemic risk buffer of up to 5 per cent imposed on them. This will largely be determined by the national regulatory authorities. A systemic buffer is also being introduced for banks which are systemically important on a global scale. The combined requirement for pure tier 1 capital may then be as much as 14.5 per cent with a maximum (national) systemic buffer and a countercyclical buffer. Together with the requirements for hybrid capital (1.5 per cent) and tier 2 capital (2 per cent), the requirement for subordinated capital may total 18 per cent.

The EU has introduced a provisional requirement for a pure tier 1 capital adequacy of 9 per cent from 1 July 2012. The Financial Supervisory Authority of Norway assumes that Norwegian banks will also have a pure tier 1 capital adequacy of 9 per cent from the same date, a requirement which most banks already meet.

The requirement for a countercyclical buffer represents a new macro-economic tool. This requirement for tier 1 capital could be tightened during periods when the economy is performing well and reduced during periods of economic downturn, when the banks risk incurring losses. The

scheme could reduce the mutually reinforcing effect between the growth in house prices and the growth in debts. Norges Bank will be responsible for preparing a basis for decisions and for advising the Ministry of Finance concerning the level and phased introduction of a countercyclical capital buffer.

The banks can primarily increase their tier 1 capital in two ways: They can issue new share capital or withhold profits. The Norwegian tax system is generally neutral with regard to whether enterprises are financed by debt or equity. This should mean that it will not be any more expensive for the banks to increase their tier 1 capital by issuing new share capital. Nevertheless, information asymmetries may make it more expensive for today's owners to finance themselves with new share capital rather than debt in that new owners must be given a discount in order to compensate for the fact that they do not have access to the same information as the current owners. Within the banking sector, the fact that some banks have an implicit state guarantee may also make equity financing more expensive in that the bank will not pass on the cost to society to the same extent. In addition, the competitive situation may also be such that the banks take the opportunity to indirectly coordinate themselves to charge higher margins on lending. The requirements for increased tier 1 capital may then contribute to higher profits for the banks.

It would appear that Norwegian banks are primarily increasing their tier 1 capital through their own earnings. At the same time, certain banks have indicated that they still wish to pay shareholders a high dividend in the future. It therefore seems that the accumulation of increased tier 1 capital will take place through interest margins and on the lending margin in particular. We have not performed any calculations concerning the magnitude of this effect. However, as the lending margin is currently very high, we anticipate that they may be reduced in the future while the banks build up their tier 1 capital at the same time.

stronger economic growth in Norway, has helped to strengthen the krone against the euro. At the beginning of 2012, EUR 1 cost almost NOK 7.75, whereas at the end of 2012 it cost around NOK 7.35, equivalent to a strengthening of 5 per cent. Through to the end of February this year, the krone weakened to 7.50 against the euro, and measured against the euro the krone was 6.5 per cent stronger at the beginning of March 2013 than the annual average for 2007, the year before the financial crisis. Measured against the import-weighted exchange rate, the krone appreciated by 5 per cent during the same period. As the euro is weighted at around one third in the import-weighted exchange rate, this means that the krone has also strengthened significantly against other currencies in recent years. Among such currencies is the British pound, which in the first half-year of 2007 cost almost NOK 12, compared with NOK 8.65 in early March this year. On an annual basis, the krone strengthened by 1.2 per cent during 2012 compared with the import-weighted exchange rate

and 4.1 per cent against the euro. The strong krone undermines the profitability and activity levels of the traditional export industry. If interest rates in Norway had not been so low, the krone could possibly have been even stronger, thus exacerbating the problems for Norwegian competition industry.

Both the strengthening of the krone and low global growth are factors that have contributed to low imported inflation.

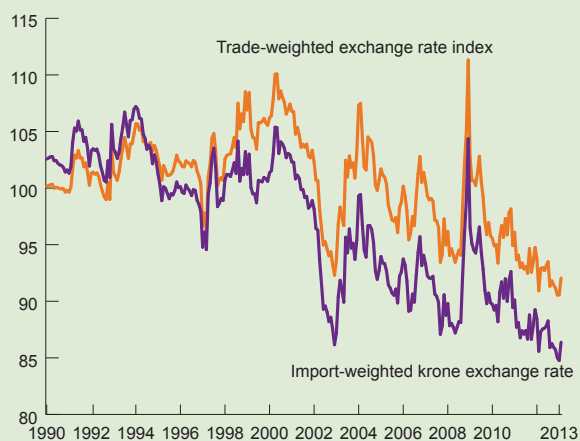
Norwegian inflation, measured as the 12-month growth rate in the consumer price index adjusted for changes in taxes and excluding energy products (CPI-ATE), has been at least one percentage point below the inflation target for over 2½ years. In January this year, the 12-month growth rate was 1.2 per cent. Viewed in isolation, the low interest level in Norway contributes to increased inflation by both limiting the strengthening of the krone and stimulating domestic demand.

Box 2. Import-weighted krone exchange rate and trade-weighted exchange rate index

Around 40 per cent of Norway's foreign trade in traditional goods (i.e. exports and imports of goods excluding oil, gas, ships and platforms) takes place with countries which are members of the EU's monetary union. The krone exchange rate against the euro consequently provides limited information on the international value of the Norwegian krone. It is therefore important to add alternative exchange rate indicators which better reflect the breadth of our trading patterns. Examples of such indicators are the trade-weighted exchange rate index and the import-weighted krone exchange rate. The trade-weighted exchange rate index is calculated on the basis of the exchange rate for the Norwegian krone against the currencies of Norway's 25 most important trading partners, and is a geometric mean based on the OECD's current trade weights. This will reflect Norwegian industry's competitive interface in both the export and domestic markets. The weights in the import-weighted krone rate are calculated based on the composition of imports of traditional goods from Norway's 44 most important trading partners. Both indices are structured in such a way that high values mean a weak krone and low values a strong krone.

In the figure, both indices indicate that the krone has steadily become stronger since 2000, peaking in early 2013. The paths of the two indices are however not entirely coincident. For example, the krone in February this year was around 15 per cent stronger than the average for the 1990s, measured in terms of the import-weighted krone exchange rate, while according to the trade-weighted exchange rate index it was just 10 per cent stronger. The difference in the trends is due to the fact that, particularly around the year 2000, the krone strengthened considerably less against countries which Norway exports to than against countries which Norway imports from. Thereby, the international purchasing power of the krone increased by more than the industry's international competitiveness was weakened.

Import-weighted krone exchange rate and trade-weighted exchange rate index



Low interest rates also contribute to a relatively high level of lending from Norwegian banks and financial institutions. Gross domestic debt (K2) increased by 6 per cent in the fourth quarter of 2012 compared with the previous quarter, seasonally adjusted and calculated as an annual rate. For the past three years, growth has been between 5 and 8 per cent. In 2009, the growth in credit was lower, largely because of negative credit growth in non-financial corporations. Prior to the financial crisis, credit growth among the general public was above 10 per cent. It is among households that borrowing is highest, with credit growth of just under 8 per cent, seasonally adjusted and calculated as an annual rate. The growth in credit among households has been in the range 5 to 8 per cent for over four years. The growth in credit within the municipal government has fallen to just below 3 per cent after being in the range 5-20 per cent during the same period. Credit growth in non-financial corporations during the fourth quarter of 2012 was just over 4 per cent, which is more than 2.5 percentage points below the average for the previous five quarters.

House buying is the most common reason for household borrowing. Lower interest rates enable households to pay higher mortgages. This contributes to increase in house prices. With the exception of a few short periods, the housing market has witnessed a formidable rise in prices over the last 20 years. This rise in house prices and household borrowing can be mutually strengthening. Higher prices increase the mortgage value of houses, facilitating higher levels of borrowing. By utilising these options, households are able to bid higher, thus forcing house prices up. Higher house prices and debt burdens may further compound future negative cyclical shocks. Figures from both Statistics Norway and the estate agency sector's house price statistics show further strong growth in house prices.

In box 3, we have looked at the effects of a tightening of credit given to households, which is one of several possible consequences of the current move to subject banks to stricter regulations; see box 1.

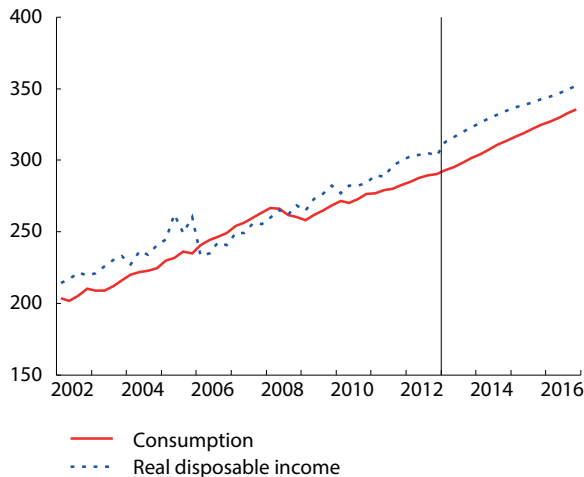
The average rate of interest on loans from financial institutions on lines of credit secured on dwellings can be regarded as a good indicator of mortgage rates generally; refer to box 3 in Economic Survey 1/2012. At the end of the fourth quarter of 2012, this interest rate was 3.7 per cent, while the average deposit rate was 2.3 per cent. Both the interest rate on credit lines and the deposit rate were unchanged from the previous quarter and 0.3 percentage points lower than during the same quarter of the previous year. The differential between these two interest rates has therefore remained unchanged over the past year. The financial institutions' reductions in interest rates have however been less than the fall in the interbank rate. Thus, the lending margin has increased while the deposit margin has decreased correspondingly. As the financial institutions have more

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total	7,6	-6,4	6,3	4,0	4,1	2,7	4,1	3,9	4,6	3,9	2,7	2,5
Excluding share dividends	3,6	4,2	5,0	3,1	4,0	2,3	4,1	4,1	4,2	3,7	2,5	2,3

Source: Statistics Norway.

Figure 5. Income and consumption in households. Seasonally adjusted at constant 2010 prices. NOK billion. Quarter



Source: Statistics Norway.

lending than deposits, in isolation this contributes to greater earnings for the financial institutions.

In our projections, we assume that Norges Bank will maintain the current policy rate until the end of 2013. This is largely attributable to poor global growth, which results in low foreign interest rates. Thus, on an annual basis, the policy rate will be even lower this year than last year. The strong krone, low inflation and moderate pressure on the economy are reasons for maintaining low interest levels. The high growth in lending and house prices would point towards a rise in interest levels. The Norwegian economy is approaching what we consider to be normal capacity utilisation at the macro level, and inflation will probably rise. We therefore believe that the policy rate will gradually be increased from 2014. The interbank rate will largely follow the policy rate and during the fourth quarter of 2016 will reach 4.1 per cent.

A high interest rate differential between Norway and the euro is helping to keep the krone strong against the euro. The krone is projected to strengthen by just over 3 per cent this year measured as the import-weighted krone exchange rate. In our projections, the krone will strengthen further in 2014, but then weaken again during 2015 and 2016. This weakening is due to both a rise in inflation in Norway compared with other countries and a projected fall in the price of oil. At the end of 2016, the krone is expected to end on an exchange rate of just below 7.50 against the euro.

At the end of the fourth quarter this year, the differential between the interest rate on credit lines secured on

dwelling and the interbank rate was 1.9 percentage points. On average, this mark-up was one percentage point lower during the period from when such loans were broadly launched in 2006 through to the end of 2011. We project a slight reduction in the mark-up in the time ahead, although it will remain at a higher level than we have been accustomed to until the end of the forecast period. This is due to the financial institutions' need to increase equity as a result of stricter equity requirements and the fact that it appears that the competitive situation in the Norwegian financial market is such that it is possible to increase equity through higher earnings; see box 1. The mark-up between the interest rate on credit lines and the interbank rate is expected to fall to 1.5 per cent from the end of 2014 and this level will remain to the end of the forecast period. The interest rate on credit lines is therefore expected to rise to 5.6 per cent at the end of 2016.

Household income, consumption and savings

According to preliminary QNA figures, real household disposable income increased by 3.9 per cent in 2012, approximately the same as the previous year. Wage income, which represents the biggest source of income for households, contributed much of the growth in income last year, as employment increased markedly by 2.2 per cent. Higher public transfers, largely as a result of higher pension disbursements, contributed strongly to the growth in income during 2012. Low inflation also contributed to the high rate of growth in real income. However, net interest income contributed negatively to growth, as interest expenses on loans increased by more than interest income on bank deposits.

During the economic recovery from 2004 to 2007, household consumption increased by an average of around 5 per cent annually. In the wake of the financial crisis, growth has been relatively weak. Relative to the strong growth in real income, consumption also increased fairly modestly last year by 2.9 per cent. Spending on consumer goods in 2012 was 2.1 per cent higher than in 2011. The consumption of food products, clothing and shoes, as well as electricity, contributed to growth. However, purchases of transport vehicles rose slightly from the previous year, following strong growth throughout 2010 and 2011. Key groups of consumer goods, such as purchases of furniture and white goods as well as IT, films and audio-visual equipment, also developed weakly last year compared with the previous year. Seasonally adjusted figures indicate that these groups of consumer goods, which are classified as durable, fell considerably during the fourth quarter and therefore contributed to the relatively weak

Box 3. Effects of a tightening of household credit

The banks, including the Norwegian banks, are in the process of becoming more strictly regulated; see box 1. The banks' reaction to the measures could take various forms. In our forecasts, we assume that the difference between the lending rate and the interbank rate will be somewhat higher than it has consistently been previously. The requirements, which are largely based on increasing equity compared to the lending pool, could alternatively result in stricter credit ratings.

It is not inevitable that this will happen, as – even with more demanding equity requirements – it will still be very profitable for the banks to lend to households. However, our arguments below will also apply if the tightening were to be due to the requirement for households to provide more equity in order to obtain a loan without any compensation for this through other measures.

In order to illustrate some possible effects of a tightening of household credit, we refer to a stylised calculation using KVARTS, Statistics Norway's macro-economic model. These calculations were performed with a new version of the model, which includes the interaction between credit and the housing market.

In the model block for the credit and housing market, household borrowing and house price growth are driven by the development of household income, the housing stock and the real interest rate after tax. In addition, the change in debt and changes in house prices can also have a reciprocal effect. Higher house prices increase the need for borrowing in connection with house purchases. The mortgage value – and therefore the opportunities for borrowing – increases when house prices rise. In addition, higher house prices will reduce the risks linked to the banks' existing mortgage pool, and may stimulate the banks to expand more quickly in the form of new mortgages. When lending increases, it enables households to offer higher prices for houses. A spiral has then begun. This upturn is dampened more than it otherwise would have been, because higher house prices gradually result in a larger housing pool through higher housing investments.¹

If we now consider the effects of a tightening of household credit, the same mechanisms operate, but the effects now work in the opposite direction.

Lending to households by financial institutions is reduced in the calculation, so that if all other factors are the same as in the reference path, the growth in household debt will be reduced by 0.5 percentage points from the quarter before in each quarter throughout the period 2013-2016.

When viewed in isolation, the projected initial reduction of 0.5 percentage points in each quarter would mean a reduction in the growth of debt of around 2 per cent on an annual basis. During the past couple of years, the growth in gross household debt has been around 6-7 per cent, calculated as an annual rate. Because of the interaction between the giving of credit and circumstances in the housing market, the «actual» reduction in lending will be slightly greater than was initially anticipated. This interactive effect increases over time and through 2016 the growth in lending will be 2.9 percentage points lower than in the reference path.

Reduced opportunities for borrowing will in the first instance result in a reduction in demand for housing and therefore lower house prices. The growth in house prices will fall by almost 1 percentage point during the first year, increasing to 2.4 percentage points lower annual growth in the final two years of the projection period. In 2016, house prices will fall by 7.2 per cent. Lower house prices will impact on the real economy through two channels:

- Housing investments will decrease
- Household wealth will decrease, which will have a dampening effect on consumption and tend to pull in the direction of a higher saving ratio.

¹ See Anundsen, A. K. and E. S. Jansen (2011): «Self-reinforcing effects between housing prices and credit: Evidence from Norway» Discussion Paper Norway (revised version in February 2013).

The costs associated with house building will change very little, and the profitability of new-builds will therefore decrease when the price on the second-hand market (the house price) falls. In 2016, housing investments are close to 5 per cent below that in the reference path. The gross product of the construction and engineering sector has then fallen by 1.6 per cent, while the sector's employment has decreased by 3,100 people.

Household consumption will gradually decline relative to the reference path, and in 2016 the level will be 1 per cent lower. Reduced consumption for a given income means an increase in saving, which in turn helps to boost the financial income of households. Compared with the scenario in the reference path, there are some who have not realised their borrowing and housing investments. Financial wealth therefore increases relative to the reference path. This effect is stronger than the indirect effect which results from the reduced level of activity. The reason for the reduction in consumption therefore does not lie in lower incomes, but in the fact that the total wealth of households – where the value of housing is a major factor – is reduced relative to the reference path due to lower growth in house prices.

Measured in terms of volume, the decrease in household consumption is of greatest significance for the reduction in domestic demand. In 2016, the reduction in housing investments – which increase over time – contribute around half as much to the reduction in domestic demand as the reduction in household consumption. The level of activity in the economy changes little during the first year, but the growth in mainland GDP decreases by 0.2 percentage points in each of the subsequent years. Employment falls slightly, and the unemployment rate in 2015 and 2016 has increased by 0.1 percentage points. The labour force has also decreased, through a slight fall in economic activity rates and a modest reduction in inward labour migration. The population in 2016 has thus decreased by 600 people.

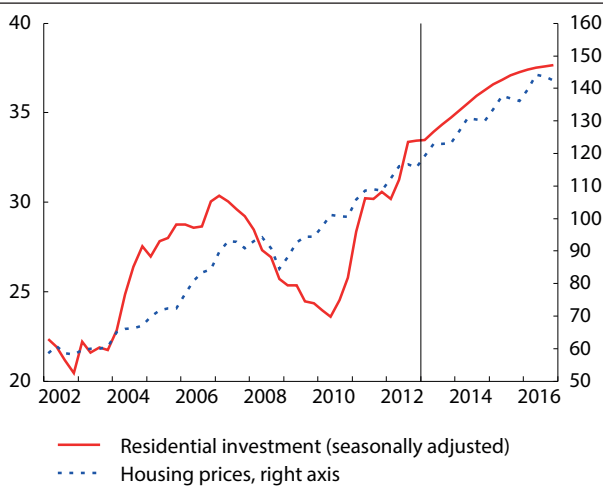
It must be stressed that, in these calculations, no assumptions have been made concerning changes in lending to other institutional sectors. No assumptions have also been made concerning changes in bank interest rates relative to the reference path. We have also kept the interbank rate and the exchange rate unaffected, and there is also no response from the fiscal policy. Calculations where we allow the model to determine interest rates and exchange rates will reduce most of the effects reported in the table. Lower pressure on the economy would have meant slightly lower interest rates and thereby stimulated growth in debts, house prices and the economy as a whole.

Macro-economic effects of a more restrictive lending policy from the banks¹. Deviation in percent from the reference path unless stated otherwise

	2013	2014	2015	2016
Consumption. household	-0.1	-0.4	-0.7	-1.0
Gross investments. mainland Norway	0.0	-0.3	-0.9	-1.7
Housing	-0.1	-0.8	-2.5	-4.8
Mainland GDP	0.0	-0.2	-0.4	-0.6
Employed. thousand people	-0.2	-1.3	-3.2	-5.8
Population. thousand people	0.0	-0.1	-0.3	-0.6
LDS unemployment rate. percentage points	0.0	0.0	0.1	0.1
Wages	0.0	0.0	-0.1	-0.1
Consumer price index	0.0	0.0	0.1	0.1
House prices	-0.8	-2.7	-5.0	-7.2
Saving ratio. percentage points	0.1	0.4	0.7	0.9
Growth in household debt during the year. percentage points	-2.1	-2.3	-2.6	-2.9

¹ Initial reduction of 0.5 percentage points, growth in lending in each quarter. Unchanged interest rates and exchange rates

Figure 6. Residential market. Left axis adj. indices. 2010=100. Right axis per cent



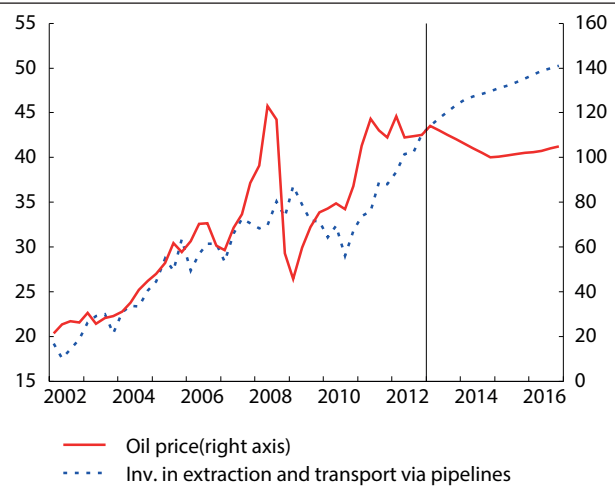
Source: Statistics Norway.

growth in spending on consumer goods on an annual basis. Spending on services increased by 3 per cent last year, with particularly strong contributions to growth coming from leisure services, property rents and hotel and restaurant services. Consumption by Norwegians abroad continued to grow strongly for the third year in a row and contributed by 0.6 percentage points to the growth in total household consumption.

Household savings, calculated as a proportion of disposable income, increased from 7.3 per cent in 2011 to 8.7 per cent in 2012, i.e. by almost one and a half percentage points. By comparison, the saving rate increased by almost 3.5 percentage points during 2009. If we consider purchases of durable consumer goods, including purchases of vehicles, as investment rather than as consumption, the saving rate can be calculated to 10.8 per cent in 2012 and 9.6 per cent in 2011. See Chapter 6 for further discussion of household income, consumption and savings.

Growth in household income, housing wealth and interest rates are important for the development in consumption. Although the major contributions to growth from wage income and public transfers are expected to continue over the next few years, higher interest rates and rising inflation will suppress the growth in real household disposable income and therefore also consumption. We thus anticipate an annual growth in real disposable income of around 4.5 per cent during the current year, around 4 per cent next year and around 2.5 per cent in both 2015 and 2016. Further growth in housing prices will, however, increase the housing wealth and stimulate consumption. With our projections for income, housing wealth and interest rates, growth in consumption will be almost 3.5 per cent during the present year, around 4 per cent next year, close to 3.5 per cent in 2015 and slightly lower in 2016. We therefore project an average annual growth in consumption of slightly over 3.5 per cent during the period 2013 - 2016, around 1.5 percentage points weaker than

Figure 7. Petroleum investments and oil price in USD. Seasonally adjusted at constant 2010 prices. NOK billion. Quarter



Source: Statistics Norway.

the level witnessed during the economic recovery from 2004 to 2007. In addition, population growth is now higher, so that per capita the difference in consumption growth is even greater.

We now expect the saving rate to end up at well over 9 per cent in 2013 and 2014, and then to fall gradually towards 7.5 per cent at the end of the forecasting period. This is a high level from a historical perspective. Since the financial crisis, we have explained the increase in the saving rate by uncertainty among households about the future, leading to a fall in consumption. Precautionary saving may well still play some role, but some of the development in the saving rate can also be attributed to the fact that the growth in income has been channelled to a greater extent than previously to increased investments in new and existing housing. However, the figures behind the calculation of the saving rate are subject to statistical uncertainty. Transfers of income out of the country from a rapidly growing immigrant population may be greater than estimated in the national accounts. Equally, a change in trading patterns with rapid growth in trade via the internet, replacing corresponding purchases in stores, may contribute to an underestimate of consumption growth. If one finds a basis for revising the estimates of disposable income and consumption, both these corrections could reduce the level of the saving rate.

Housing investments and house prices

Housing investments continued to rise during 2012. Following a flattening out from the second half of 2011 and into 2012, investments increased sharply during the second and third quarters of last year. The investments flattened out again during the final quarter. The annual growth in housing investments ended at 7.4 per cent in 2012. The upturn during the previous year was no less than 21.9 per cent. The level of housing investments is now at a historically high level and markedly above the previous record level from before the financial crisis. This strong upturn in housing investments

Table 3. Main economic indicators 2012-2016. Accounts and forecasts. Percentage change from previous year unless otherwise noted

	Accounts 2012*	2013			Forecasts			2015		2016
		SN	NB	MoF	SN	NB	SN	NB	SN	
Demand and output										
Consumption in households etc.	2.9	3.3	4 1/4	4.0	4.2	3 3/4	3.7	3 1/4	3.3	
General government consumption	2.1	2.2	2 1/4	2.1	2.4	..	2.4	..	2.5	
Gross fixed investment	8.1	6.3	..	5.8	5.3	..	3.8	..	3.1	
Extraction and transport via pipelines ¹	14.4	10.4	9	7.0	5.1	4	2.5	3	3.5	
Mainland Norway	3.9	5.2	6 3/4	5.5	5.1	..	4.1	..	3.1	
Industries	2.7	4.6	..	5.1	5.0	..	3.5	..	2.5	
Housing	7.4	6.5	..	8.0	4.7	..	3.5	..	1.6	
General government	1.4	4.4	..	2.8	6.0	..	6.2	..	6.4	
Demand from Mainland Norway ²	2.9	3.3	4 1/4	3.8	3.8	4	3.4	3 3/4	3.0	
Stockbuilding ³	-0.1	0.1	..	..	-0.2	..	0.0	..	0.0
Exports	2.2	1.4	..	1.4	1.1	..	1.2	..	2.2	
Crude oil and natural gas	0.9	2.7	..	-0.1	0.9	..	-0.1	..	0.6	
Traditional goods ⁴	2.6	-0.2	1	2.2	1.8	..	2.6	..	3.8	
Imports	3.3	5.0	5 1/4	5.4	3.8	..	4.4	..	3.9	
Traditional goods	2.1	4.0	..	5.6	5.3	..	4.9	..	4.4	
Gross domestic product	3.2	2.4	2 1/2	2.5	2.6	2 1/4	2.2	2 1/4	2.4	
Mainland Norway	3.5	2.6	3	2.9	3.1	2 3/4	2.8	2 3/4	2.8	
Labour market										
Employed persons	2.2	1.5	1 3/4	1.3	1.4	1 1/4	1.4	1 1/4	1.4	
Unemployment rate (level)	3.2	3.4	3	3.2	3.4	3	3.4	3	3.3	
Prices and wages										
Annual earnings	4.0	3.8	4 1/4	4.0	3.9	4 1/2	4.1	4 1/2	4.5	
Consumer price index (CPI)	0.8	1.5	2	1.9	1.4	2	1.8	2 1/4	2.4	
CPI-ATE ⁵	1.2	1.2	1 1/2	1.7	1.6	2	1.9	2 1/4	2.4	
Export prices, traditional goods	-4.4	0.8	..	0.6	1.3	..	2.8	..	3.7	
Import prices, traditional goods	0.5	-0.7	..	1.2	0.1	..	1.4	..	2.6	
Housing prices	6.7	6.0	..	..	6.1	..	5.1	..	4.7
Balance of payment										
Current balance (bill. NOK)	414.0	335.4	..	340.8	292.7	..	253.8	..	246.6	
Current balance (per cent of GDP)	14.2	11.1	..	11.4	9.4	..	7.9	..	7.3	
Memorandum items:										
Household savings ratio (level)	8.7	9.4	..	8.5	9.3	..	8.4	..	7.7	
Money market rate (level)	2.2	1.9	2	2.0	2.5	2.7	3.5	3.3	4.0	
Lending rate, credit loans (level) ⁶	3.8	3.7	..	..	4.1	..	4.9	..	5.5
Crude oil price NOK (level) ⁷	649	610	..	625.0	560	..	553	..	575	
Export markets indicator	1.4	1.1	..	..	3.3	..	4.6	..	6.1
Importweighted krone exchange rate (44 countries) ⁸	-1.2	-3.2	-1.4	0.5	-1.1	-0.6	0.5	0.3	1.7	

¹ Forecasts from Ministry of Finance incl. service activities incidental to extraction.

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

³ Change in stockbuilding. Per cent of GDP.

⁴ Norges Bank estimates traditional exports, which also includes some services.

⁵ CPI adjusted for tax changes and excluding energy products (CPI-ATE).

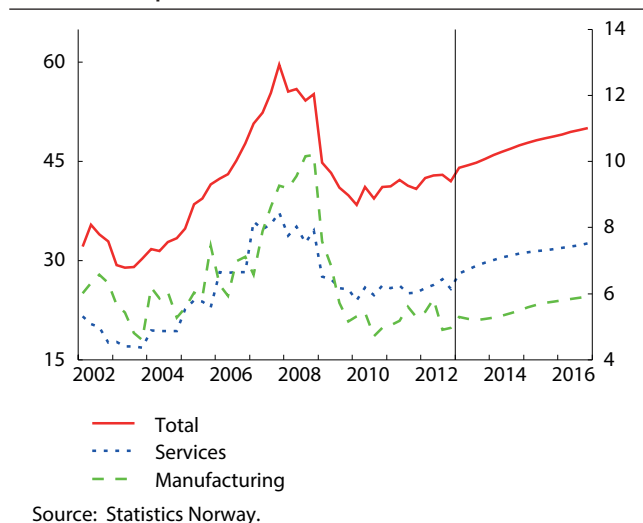
⁶ Yearly average.

⁷ Average spot price, Brent Blend.

⁸ Increasing index implies depreciation. Ministry of Finance forecasts trade-weighted exchange rate.

Source: Statistics Norway (SN), Ministry of Finance, St.meld. nr.1 (2012-2013), (MoF), Norges Bank, Pengespolitisk rapport 2/2012 (NB).

Figure 8. **Investments. Mainland Norway. Seasonally adjusted at constant 2010 prices. NOK billion. Quarter**



has been driven by a high rate of growth in real incomes, rapid population growth, low interest rates and a high rate of growth in house prices.

Building statistics, a key indicator for the calculation of housing investments in the QNA, show a steady rise in residential building in 2012. The construction of a total of 30,142 new dwellings was begun last year, an increase of around 2,400 dwellings compared with the previous year. However, this is still below the level of the peak years 2006-2007, when around 32,500 dwellings were constructed annually.

The relationship between house prices and construction costs is important to the growth in housing investments. Since 2000, house prices have risen by 120 per cent, while the Construction cost index has increased by around half that figure. By way of comparison, the Consumer price index has only increased 25 per cent during the same period. The Construction cost index measures price developments for the input factors (labour and materials) in the actual construction process, and therefore does not take into consideration either trends in the price of plots or the profit margin of contractors.

In the years ahead, we expect the development in real house prices to continue to stimulate housing investment, but we also expect the rate of growth to fall somewhat. We expect housing investments to increase by 6.5 per cent this year, and the growth in investments to decrease gradually towards 2016 as a result of lower growth in real income and higher mortgage rates.

After a flattening out of house prices during 2008/2009, house prices have risen markedly during the past three years. According to Statistics Norway's House price index, house prices increased by 6.7 per cent in 2012. During both 2010 and 2011, growth was around 8 per cent. In our model, real house prices are driven by real household income, interest rate levels,

as well as the amount of housing capital. Credit growth and house prices can also have a reciprocal effect. From 2014 to 2016, we anticipate higher interest rate levels and more moderate growth in household income. Together with the increase in house building, this will gradually slow the rise in house prices. For the current year and next year, we anticipate an increase in house prices of around 6 per cent, to be followed by a growth in house prices of around 5 per cent annually for the rest of the forecast period. On the basis of these projections, the growth in real house prices will be around 2 per cent in 2016.

In box 3, we have calculated the effects of a tightening of credit given to households. Both the growth in house prices and housing investments will fall compared with the reference path we have described in the previous sections.

The petroleum sector

Demand from the petroleum industry continued to grow towards the end of 2012. There have now been two years with investment growth of over 14 per cent. The level of investment continued to increase during the fourth quarter and was almost 3 per cent higher than the previous quarter. The development in production fluctuates considerably from quarter to quarter, and increased somewhat during the fourth quarter. The development in 2012 was better than it has been for some time, with zero growth in gross product and an increase in the total volume of oil and gas produced. With production falling since 2004, 2012 was the first year with flatlining. Employment continued to rise throughout 2012.

In recent years, we have seen exploration and production drilling remain fairly stable, while investments in platforms have risen sharply. Preliminary figures show a break from this trend. During the fourth quarter, investments in platforms fell by no less than 11 per cent, while drilling and pipelines increased by 27 per cent. Despite the developments during the fourth quarter, investments in platforms rose sharply from 2010 to 2012, by 68 per cent. However, growth in investment in drilling and pipelines amounted to just 9 per cent.

Demand from the petroleum industry arises in the form of investments and the procurement of goods and services for operational use. As a result of the relatively high oil and gas prices, production rose through an increase in the use of input factors. A significant proportion of this demand is aimed at the service industry linked to the production of crude oil and gas, which is defined as being outside Mainland Norway in the national accounts. The gross product of this sector has risen in recent years and demand in the form of product input from this sector has also shown marked growth since 2009.

In the years to come, more new projects will be initiated. These fields are contributing to further growth

in investments and helping to keep oil and gas production at its level today. This has resulted in the continuation of the strong demand aimed at the mainland. Maintenance work is also important on the Norwegian continental shelf. A number of old fields are being refurbished, not only to extend the production horizon of the original field, but also to produce from adjacent new fields which can be linked to existing infrastructure. This connection is helping to reduce the costs associated with the smaller fields, which when combined with new technology and high prices makes it profitable to produce oil and gas from fields which were previously considered to be unprofitable.

The number of drilling rigs available has both limited drilling on the Norwegian shelf and put pressure on rig rental rates. We are now witnessing an increase in the number of available rigs, which could in itself lead to an increase in drilling activity. Barents Sea southeast and Jan Mayen are being considered for opening and, should they open, will further boost drilling activity towards the end of the forecast period.

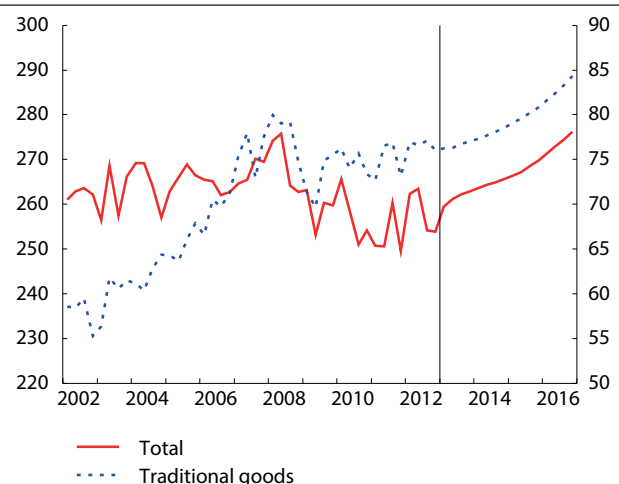
The production of oil and gas, measured in terms of tonne oil equivalents, rose slightly in 2012. A slight increase in the industry's use of product input was a factor in the level of the gross product of the industry remaining unchanged. There was a marked fall in oil production during 2012, a trend which has continued since 2001, while gas production increased substantially. The upturn in gas production was particularly marked because a number of fields were down as a result of protracted maintenance during 2011. The reopening of these fields alone contributed to much of the increase. Viewed in relation to gas production in 2010, there was nevertheless marked growth during 2012. Measured in terms of energy content, gas production has now overtaken oil production. However, because the prices are significantly higher for crude oil, the provisional contribution to GDP and the state's petroleum revenues from oil are greater than those from gas. Export prices for both oil and gas remained high in 2012, even though they fell somewhat during the year. We are expecting a further reduction through 2013 and 2014, until prices recover to some extent. This is contributing to a reduction in the state's revenues, but price levels are expected to remain sufficiently high for the level of activity in the sector not to be reduced significantly.

Industry investments

Investments in mainland industries increased by a modest 2.7 per cent during 2012. Private mainland industries have limited their investments in the wake of the financial crisis. Two years of poor growth is not sufficient to pass the level of investment witnessed in 2008.

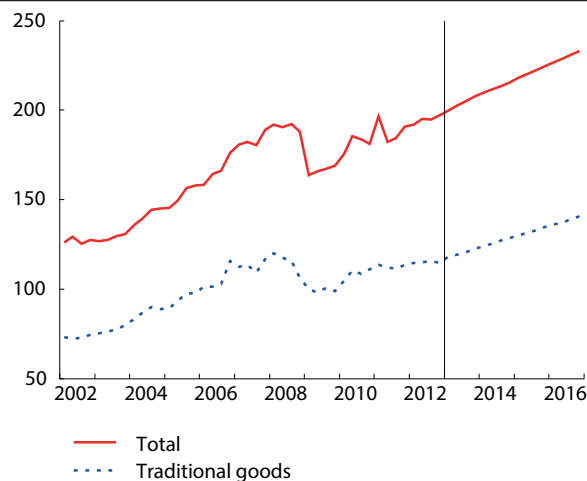
According to the QNA, investments fell by 2.2 per cent during the fourth quarter of 2012. The reduction in investments encompassed much of Norwegian industry. The largest investments originate from the real estate

Figure 9. Exports. Seasonally adjusted at constant 2010 prices. NOK billion. Quarter



Source: Statistics Norway.

Figure 10. Imports. Seasonally adjusted at constant 2010 prices. NOK billion. Quarter



Source: Statistics Norway.

activities, which accounts for around 20 per cent of the mainland industry investments. Here, the downturn during the fourth quarter was 7 per cent. In the real estate activities, considerable capital was built up during 2006 and 2007, which reduced the need for further investments. After a marked upturn during the first half of the year, investments in retail trade fell during the second half of 2012. However, the growth from 2011 to 2012 still ended on 10 per cent.

Manufacturing investments also fell during the fourth quarter of 2012. The downturn of 1.5 per cent was considerably less than the sharp fall during the third quarter. In the wake of the financial crisis, investments in manufacturing have been modest. There were indications of a recovery at the beginning of last year, but manufacturing investments fell so sharply through the second half of the year that in 2012 they were 0.6 per cent lower than in 2011. Major restructuring in the food industry has contributed to high investments for

Box 4. Direct and indirect import shares

The consumption of goods and services can be divided into final deliveries – i.e. consumption, investment and exports – and material inputs, which constitute a production factor. Some of the final deliveries are covered directly through imports, while the remainder are delivered by Norwegian producers. Imported material inputs are also used in Norwegian production. The proportion of a final delivery that consists of imported material inputs is defined as the indirect import share. This also includes the imported material inputs of all subcontractors associated with the delivery concerned. The total share of imports in a final delivery will thus be greater than the direct share. Because import shares vary, a given change in a final delivery component will generate different impulses to Norwegian production.

Import shares are calculated by studying the effects on imports of the individual final delivery component in a static matrix model. This means that the effects of changes in relative prices, the ripple effects of changes in revenue earning, the need for changes in production capacity (investment) and possible effects on interest and exchange rates are not taken into consideration. The import shares reproduced in the table have been calculated for 2010, which is the most recent year for which national accounts figures are available.

Import shares

Exports have the lowest direct import share of the main groups of final delivery category. When indirect imports are also included, the import share for exports is however close to the average for final deliveries. Investments have by far the highest import shares, both direct and total.

There are considerable differences between the sub-groups of final deliveries. The direct import shares for investments in the form of buildings and infrastructure are modest. The indirect import shares are however relatively high. Direct imports account for around one third of investments in ships, machinery, drilling, oil platforms and transport, while total imports constitute over half of these investments. Broken down between sectors, investments in international shipping have the highest total import share with 69 per cent. In the petroleum sector, the import share is close to the average for investments as a whole, while investments in housing and other service industries are lower.

Just over half of the final deliveries are associated with consumption. Public consumption, which largely consists of wage costs, has a markedly lower total import share than household consumption. Within household consumption, there are substantial variations in import shares between different consumer categories. Consumption by Norwegians abroad is naturally regarded a direct import in its entirety. «Purchase of own vehicles» and «miscellaneous goods» are notable for their high direct import shares. As very few cars are manufactured in Norway, the total import share for own vehicles of 33 per cent is considered surprisingly low. The explanation lies in dealer mark-ups and the high level of indirect taxes on these goods. Approximately two thirds of the expenses associated with car purchases are linked to dealer mark-ups and indirect taxes. The import share is highest for the «miscellaneous goods» group. This group includes clothing and footwear, consumer electronics and

furniture, etc. Energy products are primarily produced in Norway. However, despite the high level of oil production, substantial quantities of petrol and diesel are imported. During periods of low power generation, power is imported from our neighbouring countries. Overall, this contributes to 15 per cent of energy products being imported.

There are considerable variations in the import shares within exports. Exports of international shipping services and traditional goods have a high import content, due to the fact that a high proportion of the material inputs is purchased outside Norway. Exports of oil and gas are notable for their low share of imports. This can largely be attributed to the fact that a high proportion of the production value consists of petroleum resource rent.

Import shares 2010

	Share ¹	Direct	Indirect	Total
Total final deliveries ²	0.987	9.6	13.5	23.1
Consumption	0.519	11.4	9.5	20.8
Consumption by households and non-profit org. ³	0.342	17.2	9.5	26.7
Food and beverages	0.056	12.0	13.4	25.4
Energy products, etc	0.026	9.8	5.2	15.0
Own vehicles	0.013	29.4	3.9	33.3
Misc. goods	0.070	33.8	9.1	42.9
Housing	0.055	0.1	5.9	6.0
Other services	0.111	1.9	15.0	16.9
Consumption by Norwegians abroad	0.020	100.0	0.0	100.0
Offentlig konsum	0.177	0.1	9.4	9.5
New investments	0.153	20.1	15.7	35.8
By type:				
Buildings and infrastructure	0.065	1.1	20.5	21.6
Ships	0.007	55.6	14.4	70.0
Other types	0.074	33.3	11.7	45.0
by sector:				
Mainland Norway	0.107	15.7	17.0	32.7
Industry	0.006	29.8	3.5	33.3
Other goods-producing sectors	0.011	26.9	10.5	37.4
Public administration	0.026	10.1	19.4	29.5
Housing	0.031	1.1	20.5	21.6
Other service sectors	0.033	27.1	11.6	38.7
Production and pipeline transport	0.040	22.2	12.5	34.7
International shipping	0.005	55.0	14.4	69.4
Export	0.315	1.7	19.1	20.8
Traditional goods	0.104	3.1	29.2	32.3
Oil and gas	0.152	0.0	8.5	8.5
Other goods	0.002	0.0	28.7	28.7
International shipping, etc.	0.026	0.0	35.2	35.2
Other services	0.032	6.9	13.2	20.1

¹ Shares in column 1 do not add up to 1 because stock changes have been omitted.

² Share of the final deliveries» value.

³ Household consumption is calculated inclusive of the correction items «Consumption by Norwegians abroad». Sale of used real capital has been deducted from exports..

many years, but the completion of a number of facilities has reduced investments over the past year. The picture is mixed in other manufacturing. Within the oil refining and chemical industry, there was strong growth during 2012 and both increased sharply during the fourth quarter.

Investments in power supply has picked up markedly in recent years and also increased towards the end of 2012. There is a need to upgrade production installations, but expansions and improvements to the distribution grid are also needed. Power investments are at roughly the same level as investments in the manufacturing industry. The introduction of so-called 'green certificates' has improved the profitability of projects at the planning stage. Investments in new wind farms and small power stations are therefore expected to increase. Overall, this will result in a further increase in investment within power supply.

The level of activity in the construction and engineering industry has been high during the past two years. This is probably a contributory factor behind the fact that the industries' own investments have been substantial and shown marked growth during 2012, but with almost zero growth during the fourth quarter.

The transport industry has invested heavily in expansion at Oslo Airport Gardermoen and a number of regional airports. Investments in aircraft and helicopters have also been high. During the fourth quarter, investments fell by 12 per cent. A high level of investment earlier in the year meant that annual growth still amounted to 5.6 per cent.

It has become clearer over the past year that market growth globally will remain low for some time to come. In addition, the turbulence in the financial markets has helped to keep business lending rates high. Uncertainty surrounding both future market size and high borrowing costs are making new projects less profitable. It has also become more difficult to obtain financing. All this explains why investments are not picking up to the same extent as we have seen in previous economic recoveries. Certain industries are performing well and will therefore increase its investments. This particularly applies to the service industry and power supply. As the international economy recovers, investments in manufacturing will also pick up gradually, but will remain well below the investment peak witnessed in the mid-2000s.

Balance of payments

Since the dawn of the new millennium, Norway's international trading has been characterised by high growth in prices not only for many key Norwegian export products, particularly oil and gas, but also for many traditional product groups. Growth in import prices has however mostly been low and to some extent negative, particularly for consumer goods from low-cost countries in Asia. At the same time, the cost-related

competitiveness of many Norwegian export companies has been weakened, a factor which has contributed to lower growth in the volume of traditional Norwegian exports compared with the global market growth. Exports have also grown less than imports, but balance of payments gains have meant that exports have increased more in value than imports. Norway's international trade has therefore generated a substantial and rising surplus almost every year since the start of the new millennium. The years 2002, 2007 and 2009 are exceptions, which can largely be linked to developments in the price of oil.

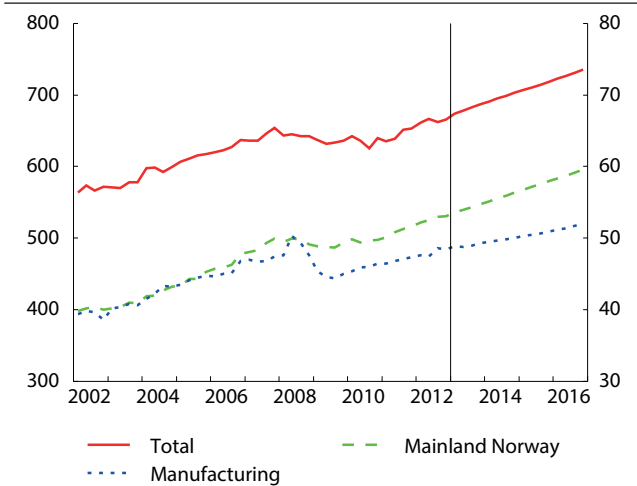
Following the financial crisis in 2008, both exports and imports fell. Imports quickly returned to the growth rate witnessed during the years prior to the crisis, and had already recovered by 2010. This was a result of the recovery of growth in the Norwegian mainland economy. However, exports remain below the levels seen before the financial crisis. Moderate growth in demand for Norwegian exports in recent years reflects the poor state of the global economy. At the same time, prices for traditional Norwegian export goods, and oil and gas in particular, have remained buoyant. An ever-strengthening krone contributed to almost zero growth in import prices during 2012.

Growth in traditional exports has been moderate over the past three years. On an annual basis, traditional exports grew by 2.6 per cent in 2012, compared with zero growth during the previous year. The volume of traditional exports will not change significantly from 2012 to 2013. We expect the economic growth among Norway's trading partners to pick up somewhat during 2014 and a projected economic recovery among our trading partners in 2015 and 2016 will contribute to an increase in Norwegian exports of both traditional goods and services. However, we expect the growth in exports from Norway to be slightly below the market growth, with the result that the loss of market shares will continue through to 2016.

Exports of both oil and gas fell during the second half of 2012, but a sharp rise in gas exports during the first half of last year more than compensated for the reduction in oil exports. Total exports of oil and gas increased by around 1 per cent and contributed to 2012 being the first year with an increase in goods exports since 2008. A downward trend in total petroleum production has otherwise resulted in declining oil exports for many years. We now expect exports of oil to continue to fall slightly, while gas exports will rise, with the result that these two exports combined will remain roughly unchanged going forward.

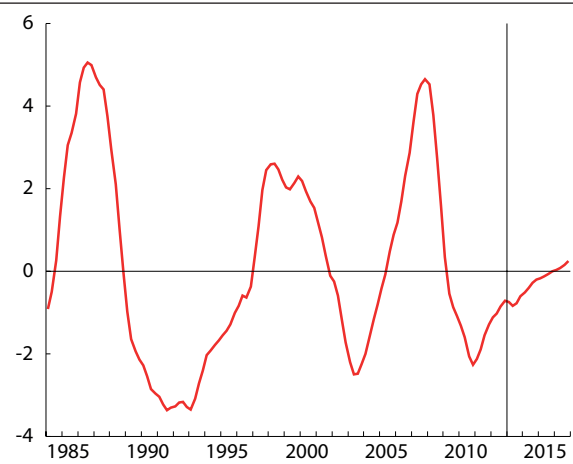
Following a strong recovery in 2010, growth in exports of services has tailed off. Nevertheless, growth has been higher than for traditional goods exports. Strong growth in exports of foreign maritime services in 2012 contributed strongly to annual growth in combined service exports being almost 3 per cent. Exports of

Figure 11. **Gross domestic product. Seasonally adjusted at constant 2010 prices. NOK billion. Quarter**



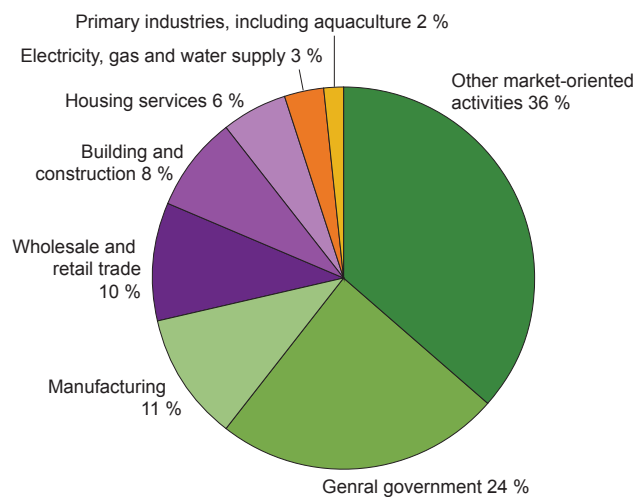
Source: Statistics Norway.

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



Source: Statistics Norway.

Figure 13. **The composition of Mainland GDP in 2012, per cent**



Source: Statistics Norway.

services linked to oil and gas development, as well as technical, legal and business services, appear to be competitive and less sensitive to poor global economic development.

In recent years, the Norwegian economy and demand have developed considerably better than among other key trading partners, and growth in Norwegian imports has held up better than export growth. Following a strong recovery through 2009 and 2010, import growth declined to below 4 per cent in both 2011 and 2012. Traditional goods imports exhibited particularly poor growth in 2012. Growth in imports is expected to increase somewhat in line with growth in domestic demand in the near future. A struggling global economy and an ever-strengthening krone, which is also a factor in increasing imports from low-cost countries, has suppressed the development of import prices in recent years. We expect this weak development to continue for a further two years before a global economic recovery stimulates price growth.

The trade surplus has risen sharply following the fall in 2009, in line with the price of oil, and in 2012 was no less than NOK 385 billion. The interest and transfer balance with respect to other countries began to show a surplus from 2010 onwards, boosted by dividends from an ever-increasing oil fund. In 2012, the surplus in the interest and transfer balance amounted to NOK 29 billion. The surplus in the current account was therefore close to NOK 414 billion, which accounts for almost 14 percent of the total GDP in 2012. A reduction in net exports and a fall in the price of oil are expected to reduce the trade surplus over the next few years. We therefore expect the surplus in the current account as a proportion of GDP to fall to 7 percent in 2016.

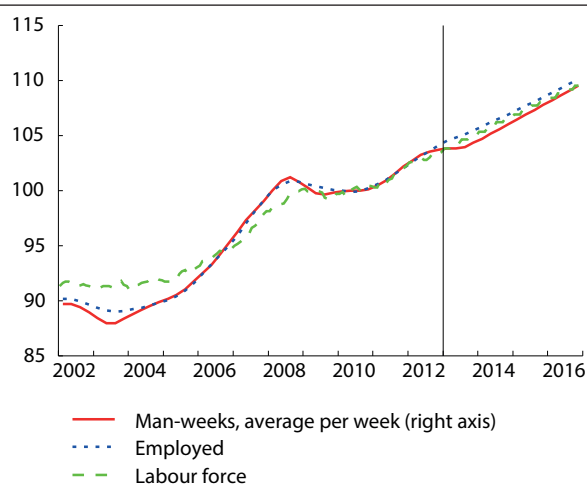
Output

Production growth in the Norwegian economy fell markedly towards the end of last year, after almost two years of economic recovery. Mainland GDP increased in the fourth quarter of 2012 by just 1.3 per cent as an annualised rate, compared with 3.4 percent in the previous quarter. The high growth rate through 2011 and the first three quarters of 2012 contributed to growth in mainland GDP on an annual basis still reaching 3.5 per cent in 2012, the highest growth rate seen since before the financial crisis.

Through 2012, there were marked differences in the development of activity between the sectors. In the fourth quarter, there was a downturn in manufacturing and other goods output, but strong growth in market-oriented service production. Growth in general government services was on par with the mainland economy as a whole.

Growth in the gross product of general government of 1.8 per cent was the lowest among the main industry groups in 2012. In industry, the gross product increased by 2.5 per cent. The gross product of market-oriented services, including housing, which accounts for over half of production in the mainland economy,

Figure 14. Labour force, employment and number of man-hours. Seasonally adjusted and smoothed indices. 2010=100



Source: Statistics Norway.

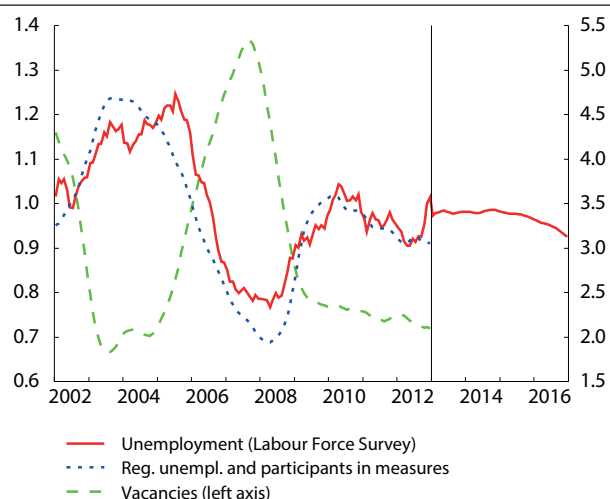
rose by 3.3 per cent. Other goods production increased by no less than 9.3 per cent.

Behind the sharp rise in other goods production lies strong growth in three sectors: aquaculture, construction and power supply. The strong growth in power supply can be attributed to random factors linked to precipitation and contributed no less than 0.3 percentage points to the growth in mainland GDP. The growth in aquaculture largely represents a continuation of a long-term trend. Unlike the other two, construction and engineering, which accounts for over half of other goods production, is an industry where the level of activity is very sensitive to the economic cycle. The gross product increased by 7.4 per cent in 2012, primarily driven by a marked increase in house building, but investments in construction have also increased in other segments of the economy. However, much of the growth in construction came towards the end of 2011 and during the first half of 2012, while there were small changes in the level of activity through the second half of last year.

Over the past two years, gross output in manufacturing has increased relatively modestly, with the exception of the third quarter when growth was very strong. This was reversed to some extent in the fourth quarter. However, developments within different segments of manufacturing have differed widely. Through 2012, there was marked growth in the level of activity in the food industry, and in industries which directly and indirectly supply goods and services to the petroleum sector, such as shipyards, engineering businesses and manufacturers of metal products. In other traditional manufacturing sectors which compete globally, such as power-intensive manufacturing, the level of activity generally fell during 2012, sharply at times.

Within mainland-based market-oriented services, there are also major differences in the development of activity levels between the sectors in 2012. Growth was

Figure 15. Unemployment and number of vacancies. Per cent of labour force. Seasonally adjusted and smoothed



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

poor within transport and distribution. Retail trade was in the middle of the range, with growth on an annual basis in 2012 of 2.6 per cent, but with a slight fall in the fourth quarter. Within the hotel and restaurant sector, there was strong growth during the second half of the year, following a flat trend during the first half of the year. In the professional and business services sector, the gross product rose by almost 7 per cent on an annual basis in 2012, following marked growth throughout the year. The financing and insurance sectors also showed clear growth during 2012.

After seven years of decline, the gross product of the petroleum extraction industry in 2012 was on a par with that of 2011. In services linked to production, which the national accounts also place outside mainland Norway, there was a marked increase, as with the previous year. There was particularly marked growth during the second half of last year, and on an annual basis growth in 2012 was over 11 per cent. The gross product of the industry corresponds to 3 per cent of mainland GDP. The gross product of international shipping is significantly less, but increased by close to 9 per cent last year. As the gross product of the production industry corresponds to around one third of the mainland GDP, the stagnation in the industry contributed to the total GDP rising by 3.2 per cent in 2012, which is 0.3 percentage points less than for the mainland GDP.

We expect growth in mainland GDP, excluding power supplies, to be somewhat above trend growth through 2013. The growth in consumption and investments in the mainland business sector is expected to pick up a little, while the high rate of growth in demand from the oil sector will probably decline a little this year. A weaker global economy, combined with poor competitiveness in terms of costs, will have a dampening effect on the level of activity in the export-oriented sector. Sectors that primarily supply the domestic market may then experience a similar rate of growth in activity levels in 2013 as that witnessed through 2012. The growth

Box 5. The importance of immigration for the functioning of the Norwegian economy

Following the EEA expansion in 2004, we saw a substantial increase in labour immigration to Norway. In this box, we attempt to illustrate some effects that labour immigration can have on the functioning of the economy through stylised calculations where investments in public administration increase equivalent to 1 per cent of the mainland GDP each year.

The effect calculations have been performed using two versions of Statistics Norway's macro-econometric model, KVARTS. In one version of the model, the level of unemployment in Norway impacts on immigration. In the other version, immigration is unaffected by changes in the Norwegian economy. Higher public investments lead to an increase in demand for labour regardless. The pressure on the labour market therefore increases and unemployment falls. Higher employment and wages lead to an increase in demand from households, and the higher level of domestic activity also contributes to an increase in industry investments. From the second year onwards, mainland GDP increases by more than the initial impulse.

In the calculation in which labour immigration responds, the fall in unemployment leads to an increase in immigration. Viewed in isolation, more liberalized labour immigration makes the Norwegian labour market less limiting with regards to the scope for employers to obtain labour. Again when viewed in isolation, the negotiating strength of employees is weakened and wages are lower compared with the scenario where immigration is unchanged; see Figure 1. In the industries with a high proportion of labour immigrants, such as construction and engineering, hotel and restaurant, and retail (market-oriented services in the figure), these wage-suppressing effects will be particularly strong when immigration increases.

With a labour immigration response, labour supply increases by somewhat more than when labour immigration is unchanged; cf. Figure 2. The direct wage-suppressing effect of labour immigration increases employment so much that unemployment is reduced. Lower unemployment also helps to increase the labour force participation rate further.

Developments in wages and employment impact on household incomes; see Tables 1 and 2. With increased labour immigration, wage growth is lower, but employment is higher than in the case with unchanged labour immigration. Prices undoubtedly rise when immigration increases, but not sufficiently to prevent growth in real disposable household income being lower than in the case without an immigration response. This leads to a smaller increase in household consumption. The lower growth in prices also results in higher real interest rates when labour immigration increases. A more modest increase in disposable income and higher real interest rates in the case with an immigration response therefore results in lower house prices and housing investments despite the fact that the population is larger.

Together with a lower increase in wages, higher real interest rates contribute to use more labour in relative terms in the production at the expense of other input factors. Industry investments thus increase less in the case with a response in immigration. This also contributes to a smaller increase in labour productivity than if labour immigration remained unaffected by the increase in public investments. A smaller increase in wages will boost the profitability of companies, with the result that wage shares become lower when immigration increases. Overall, the effect of higher public investment on domestic demand is smaller when immigration to Norway is allowed to increase.

The calculations show that foreign workers do not displace domestic workers to any great extent and that unemployment falls more in the case of increased public investment demand.

In these simulations, we have not taken into consideration the fact that interest and exchange rates will respond to lower wage growth, but the results do not change greatly in qualitative terms if consideration is given to this factor.

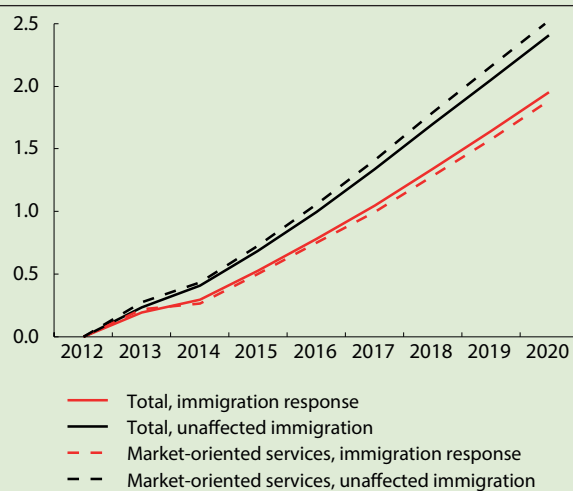
Table 1. Effects of higher public investment on key macro-economic factors. Immigration response. Deviation in per cent from the reference path unless stated otherwise

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Annual wage	0,2	0,3	0,5	0,8	1,0	1,3	1,6	2,0
Employment	0,3	0,4	0,5	0,5	0,5	0,5	0,5	0,5
CPI	0,0	0,0	0,0	0,1	0,1	0,2	0,3	0,4
Unemployment rate, percentage points	-0,2	-0,2	-0,2	-0,3	-0,3	-0,3	-0,3	-0,3
House prices	0,0	0,1	0,5	1,0	1,6	2,2	2,7	3,2
Mainland GDP	0,8	1,0	1,1	1,2	1,3	1,3	1,4	1,4
Investments, mainland Norway	0,4	1,3	1,9	2,1	1,9	1,8	1,8	1,9
Population, thousand people	0,3	1,3	1,9	2,4	3,4	4,2	4,9	5,5

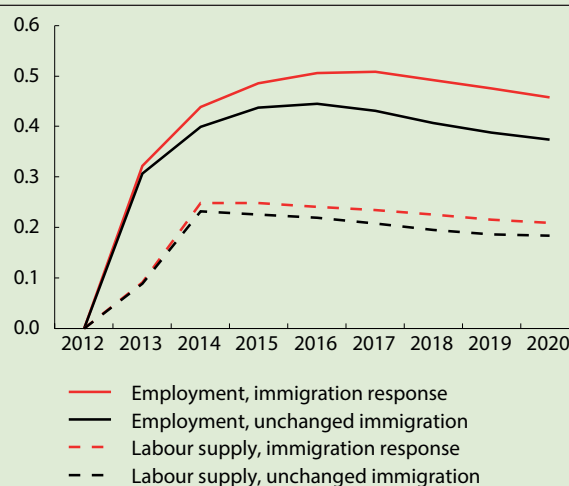
Table 2. Effects of higher public investment on key macro-economic figures. Unchanged immigration. Deviation in per cent from the reference path unless stated otherwise

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Annual wage	0,2	0,4	0,7	1,0	1,3	1,7	2,0	2,4
Employment	0,3	0,4	0,4	0,4	0,4	0,4	0,4	0,4
CPI	0,0	0,0	0,0	0,1	0,2	0,3	0,4	0,5
Unemployment rate, percentage points	-0,2	-0,2	-0,2	-0,2	-0,2	-0,2	-0,2	-0,2
House prices	0,0	0,2	0,6	1,2	1,8	2,5	3,1	3,8
Mainland GDP	0,8	1,0	1,1	1,2	1,3	1,4	1,4	1,5
Investments, mainland Norway	0,4	1,3	1,9	2,2	2,0	1,9	2,0	2,2

Box 5. cont.

Figure 1. **Effects of higher public investment on annual wages. Deviation from the reference path in percent**

Source: Statistics Norway.

Figure 2. **Effects of higher public investment on employment and labour supply. Deviation from the reference path in percent**

Source: Statistics Norway.

in export-oriented sectors may however decline further. In 2014, we expect consumption to pick up further and global growth to also increase somewhat. The economic recovery is then expected to pick up a little following a weak underlying upturn through 2013.

According to our projections, moderate growth in demand from the petroleum sector after 2014 as well as in domestic demand, partly as a result of higher interest rates, will contribute to a modest economic recovery. Impulses from increased global growth are also being dampened by the high level of Norwegian costs. The growth in mainland GDP is therefore set to flatten out at approximately the trend growth rate in 2015 and 2016, at a level that is roughly cyclically neutral.

Labour market

Employment has increased since the second half of 2010. Overall, growth in employment was 2.2 per cent in 2012. The growth was slightly weaker during the second half of the year and, according to the Labour Force Survey (LFS), employment fell by 11,000 from the period August to October 2012 to the period November 2012 to January 2013. Compared with the growth in employment during the economy recovery prior to the financial crisis, growth in 2012 was modest, and the strong growth in population means that growth in employment as a proportion of the population aged between 15 and 74 remains approximately unchanged.

During the previous economic recovery, growth in employment was broadly based. During the current economic recovery, which is very modest by comparison, the trends in employment have varied between the sectors. The construction and engineering sector, other services, and production and services linked to the

Table 4. **Average wage for the economy as a whole. Growth from the previous year in per cent, differences in growth and estimates of contributions in percentage points**

	2009	2010	2011	2012
Wages per hour worked	5.0	3.1	4.1	3.9
Annual earnings, accumulated	4.2	3.7	4.2	4.0
Difference	0.8	-0.6	-0.1	-0.1
Estimated contribution to the difference from changes in:				
Number of working days	0.4	-0.4	0.0	0.4
Sickness absence	0.2	-0.2	-0.1	-0.2
Overtime	0.0	0.0	0.0	-0.3
Agreed weekly working hours for full-time jobs	0.1	0.0	0.0	0.0
Benefits in kind	0.1	-0.1	0.0	0.0
Wage costs per hour worked	4.9	2.6	4.5	4.5
Wages per hour worked	5.0	3.1	4.1	3.9
Difference	-0.1	-0.5	0.4	0.6
Estimated contribution to the difference from changes in:				
Pension costs	-0.1	-0.5	0.4	0.5
Employer's contributions	0.0	0.0	0.0	0.1

Source: Statistics Norway.

production of crude oil and natural gas have witnessed strong growth in employment over the past two years. After a fall in industrial employment in 2011, employment rose in 2012, albeit modestly. The food, shipbuilding and other transport industries, the production of metals and metal products, as well as the repair and installation of machinery and equipment, all contributed to the growth in employment. However, only the

Table 5. **Wages. Percentage growth compared with previous year**

	Annual earnings, full-time equivalents			Wages and salaries per hour worked			Compensation of employees per hour worked		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Total	3,7	4,2	4,0	3,1	4,1	3,9	2,6	4,5	4,5
Petroleum activities and ocean transport	3,6	5,6	5,0	2,0	4,9	5,1	1,5	5,1	6,4
Mainland Norway	3,7	4,1	3,9	3,1	4,0	3,8	2,7	4,4	4,4
Mainland Norway excluding general government	3,6	4,1	3,8	2,8	4,0	3,8	2,3	4,0	4,0
Production of goods	3,4	3,6	3,9	2,7	3,5	4,1	2,3	3,5	4,1
Manufacturing and mining	3,9	3,9	4,2	3,1	3,8	4,3	2,2	3,8	4,2
Construction	2,7	3,0	3,4	2,1	2,7	3,7	2,9	2,7	3,7
Production of other goods	3,6	5,3	4,7	3,0	5,4	4,9	1,5	5,4	5,0
Production of services	3,6	4,3	3,7	2,9	4,2	3,7	2,2	4,2	4,0
Wholesale and retail trade, repair of motor vehicles	3,2	3,5	3,3	2,6	3,2	3,0	2,3	3,2	3,0
Accommodation and food service activities	3,7	2,8	3,2	2,8	2,7	2,9	3,1	2,7	2,9
Financial and insurance activities	6,7	6,6	1,1	5,8	6,6	1,6	3,5	6,6	3,6
Production of other services	3,5	4,6	4,2	2,8	4,5	4,4	2,1	4,5	4,5
General government	4,0	4,1	4,2	3,7	4,1	3,9	3,4	5,4	5,2
Central government	4,4	4,1	4,0	3,9	4,1	4,1	3,9	5,6	4,5
Civil government	3,7	4,1	4,4	3,5	4,1	3,8	3,0	5,3	5,7

Source: Statistics Norway.

latter sector also experienced growth in employment during 2011. Employment in retail trade increased by around 1 per cent in both 2011 and 2012, and therefore dragged the average growth in employment down to some extent. Employment in public administration also grew somewhat less than the average.

Employment rose by 0.3 per cent during the fourth quarter last year according to the QNA, which encompasses a greater proportion of the economy than the LFS. The recovery in employment continued in the construction and engineering sector, while employment within retail trade fell slightly. With the exception of employment in the production of metal products etc., the repair and installation of machinery and equipment, as well as the textile industry, employment fell within all industrial sectors.

Average growth in the number of hours worked on mainland Norway was on a par with the growth in employment in 2012. There was one working day fewer in 2012 compared with 2011, and this reduced the number of hours worked per employee slightly. A reduction in both sickness absence and numbers laid off recorded by the Labour and Welfare Administration boosted the number of hours worked. On the other hand, the use of overtime fell in a number of sectors and the major strike in connection with last year's pay settlement dragged the figure for hours worked down.

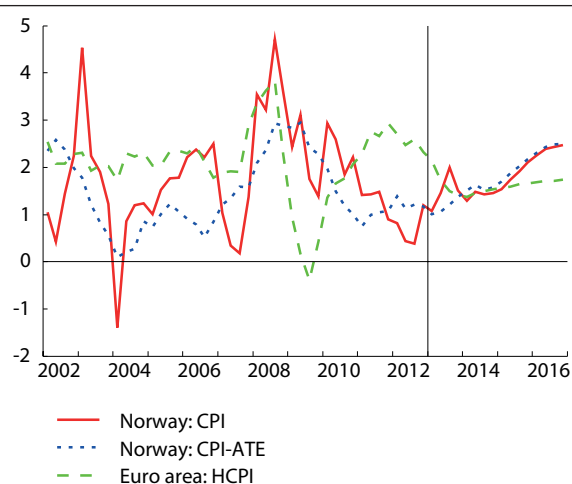
The unemployment rate increased in the wake of the financial crisis and reached a peak of 3.6 per cent during the fourth quarter of 2010 according to the LFS. Unemployment has since generally fallen and remained relatively stable at around the average for 2012 of 3.2 per cent. However, LFS unemployment rose towards the end of last year and during the period from November to January averaged 3.6 per cent.

At the end of February 2013, almost 81,000 people are either on schemes or registered as unemployed by the Labour and Welfare Administration. This level is slightly higher than in January, but lower than in December. There has been an increase in the number of people registered as unemployed, while the number of people on ordinary employment incentive schemes has remained roughly unchanged.

The Labour and Welfare Administration consider unemployment with a duration of 26 weeks or more as long-term unemployment. To date this year, there have been minor changes in the number of long-term unemployed. During both January and February, there was a modest rise in the number of job-seekers with a duration of between 26 and 77 weeks, while we see a reduction in the number of people who have been seeking employment for longer than this. In February 2013, the long-term unemployed accounted for around 40 per cent of the unemployed.

Developments in the workforce as a percentage of the population are affected not only by demographic factors, such as changes in the population's size and composition (including immigration), but also by behavioural changes. After a fall in labour force participation from 73.9 per cent in 2008 to 71.4 per cent in 2011, there was a slight increase in labour force participation last year. This increase must be viewed in the light of a sharp rise in employment among employees aged 15-24. This is a cyclically sensitive professional group, which also experienced the biggest fall in labour force participation in the wake of the financial crisis. Labour force participation also increased among people aged 60-64 and among men aged 55-59, while labour force participation either remained unchanged or fell among the other age groups. Since the beginning of 2000, there has been an underlying trend growth in

Figure 16. Consumer price indices. Percentage growth from the same quarter previous year



Source: Statistics Norway.

employment among older people. There is also underlying growth in labour force participation among women.

The statistics for vacancies per industry show that the number of vacancies fell during the final three quarters of last year compared with the same period during the previous year. Within the construction and engineering sector, there was a fall in the number of advertised positions in 2012 and the number of vacancies was lower during the fourth quarter of 2012 than in the corresponding quarter of 2011. Within the retail sector, there was a fall in the number of vacancies, but the number remains unchanged from the fourth quarter of 2011 to the fourth quarter of 2012. The statistics for the year to date from the Labour and Welfare Administration also show that vacancies within the occupational fields of store and sales work, travel and transport, as well as service professions and other work, have fallen. The poor global development also indicates that sectors exposed to competition will show a weak trend within employment in the future. We estimate that total employment will grow by 1.5 per cent during 2013 and that this growth will drop to 1.4 per cent next year and remain at this level through to the end of the forecast period. Adjusting for growth into the year, the estimated growth in 2013 will be on a par with the growth witnessed during 2012.

Norwegian and global circumstances indicate that the high rate of inward labour migration is set to continue. This means that the workforce will continue to grow at approximately the same rate as employment over the next two years. We estimate that LFS unemployment will rise to 3.4 per cent and that it will remain close to this level through to the end of the forecast period.

Wages

According to preliminary figures from the national accounts, the growth in annual earnings from 2011 to 2012 is 4.0 per cent. This is in line with the annual wage growth witnessed during the previous three

Table 6. Consumer price index. Goods and services by consumption group

	Weights ¹	Percent change from previous year			
		2010	2011	2012	jan.13
Total	1 000	2.5	1.2	0.8	1.3
Food and non-alcoholic beverages	131.7	0.2	-0.1	1.2	0.0
Alcoholic beverages and tobacco	41.4	3.5	6.4	3.2	3.1
Clothing and footwear	53.7	-4.0	-3.0	-1.3	-1.3
Housing, lighting and fuel	222.2	5.3	0.9	-1.8	2.8
Of which: Electricity, fuel oil and other fuels	42.0	18.8	-4.0	-17.5	5.9
Furniture and household appliances, etc.	58.4	-0.4	-0.6	0.1	-0.8
Healthcare	28.9	2.6	2.3	3.0	2.2
Transport	148.6	2.1	2.4	2.5	1.9
Postal and telecom services	26.7	-2.2	-1.8	-5.9	-6.5
Recreation and culture	127.2	2.2	-0.1	0.3	0.7
Education	3.0	2.9	2.9	5.4	8.8
Hotel and restaurant services	51.8	3.0	2.9	3.2	3.4
Miscellaneous goods and services	106.5	3.2	2.8	3.3	2.0

¹ The weights apply from January 2013 to December 2013.

Source: Statistics Norway.

Tabell 7. Consumer price index adjust for tax changes and excluding energy products (CPI-ATE) by to delivery sector

	Weights ¹	Percent change from previous year			
		2010	2011	2012	jan.13
Total	1 000	1,4	0,9	1,2	1,2
Agricultural products	63,3	-0,3	-2,3	0,0	1,0
Fish products	12,6	0,0	3,7	0,9	-0,2
Other consumer goods produced in Norway	102,6	2,1	2,1	1,6	1,8
Imported consumer goods	317,7	-0,7	-0,8	-0,7	-0,6
Rent, including holiday homes	195,1	2,8	2,1	1,8	2,1
Other services	308,7	2,8	2,0	2,7	2,0
- with wages as the dominant price factor	68,3	4,1	3,8	3,1	3,3
- also including other important price components	240,4	2,3	1,4	2,5	1,8

¹ The weights apply from January 2013 to December 2013.

Source: Statistics Norway.

years, which has fluctuated between 3.7 and 4.2 per cent. However, because of the very low rate of inflation, the growth in real wages was no less than 3.1 per cent during 2012. The growth in real wages has not been this high since 2007, when it increased by a total of 4.1 per cent.

The national accounts now also publish annual wage growth by industry. According to these figures, growth in annual earnings in manufacturing was 4.3 per cent last year, higher than both 2010 and 2011. At 4.2 per cent, wage growth within public administration was also above average. Several service industries with a large proportion of highly educated labour also had a wage growth above average last year. Employees in the information and communication industry received an

annual wage growth of 5.3 per cent, while the increase among workers in professional, scientific and technical activities services was 4.8 per cent.

In other segments of the economy, wage growth was lower. In the wholesale and retail trade industry and in transport and storage, annual earnings grew by 3.3 per cent, while employees in accommodation and food service activities experienced an annual wage growth of 3.2 per cent. In construction, annual wages grew by 3.4 per cent. The development in annual earnings by industry indicates that it is not a new phenomenon that annual wages grow significantly weaker in some traditional services industries, where the level of education is lower or the share of migrant workers is higher than elsewhere. During the years 2009-2012, annual wage growth in both the wholesale and retail trade industry and in accommodation and food service averaged 3.3 per cent. By comparison, annual earnings in manufacturing grew by an average of 4.1 per cent, roughly the same as the overall annual earnings.

In addition to regular basic wage, annual wages also consist of back-payments, holiday allowance addition, bonuses and irregular additions, but excluding overtime pay and benefits in kind. These factors affect wages per hour worked, however. The development in wages per hour worked will also be affected by changes in the number of hours worked as a result of, for example, changes in overtime, absence and the number of business days. Measured in terms of wages per hour worked, wage growth was 0.1 percentage points lower than the annual wage growth in 2012; see Tables 2.4 and 2.5. While one business day fewer than in 2011 contributed to increase the growth in wages per hour by 0.4 percentage points, reduced sickness absence and overtime contributed to push down the wage growth per hour by 0.5 percentage points compared with the development in annual earnings. For the past three years, the growth in annual earnings has been higher than the growth in wages per hour worked, partly due to a gradual decrease in the sickness absence.

Employers' wage costs per hour differs from wages per hour worked in that employer's contribution to social insurance and pension premiums is also included in this wage concept. Growth in labour costs per hour worked for employees as a whole was considerably higher than growth in wages per hour worked both in 2011 and in 2012. This is partly because pension costs have risen sharply within public administration, which employs a high proportion of Norwegian employees. The growth in wage costs per hour was also markedly higher than growth in wages per hour in both the financing and insurance industry and in petroleum related industry. Employer's NI contributions are also paid on payments to pension schemes, which further boosted employer's NI contributions and wages costs per hour in 2012.

In Norway, there is a tradition in wage settlements that the internationally exposed business sector provides

the framework for wage growth in the other settlements. The wage growth in manufacturing is therefore important for total annual wage growth.

The Technical Calculation Committee for Wage Settlements (TCC) estimate that growth in average annual earnings was 4 per cent for both blue- and white-collar workers in NHO companies in manufacturing in 2012. Wage growth is normally higher for white-collar workers, who receive all growth in wages in the form of wage drift. The carry-over from 2011 to 2012 was 0.5 percentage point higher for white-collar workers. As a result, the wage development through 2012 was particularly weak for white-collar workers than for blue-collar workers, and the wage drift of 2.2 per cent is the lowest since 2004. Changes in the cyclical conditions probably impact on wage growth among white-collar workers sooner than blue-collar workers, who receive much of the wage growth in central negotiations. The low wage drift may indicate that some export companies are struggling with profitability after many years with relatively high wage growth, strong currency and weak demand. There are also indications that the labour market is becoming less tight. We anticipate that unemployment rises from 2012 to 2013, which in isolation curbs lower wage. The rise in unemployment also leads to slightly lower labour migration into Norway, both this year and the next. Our analyses show that, viewed in isolation, this will increase the wage growth.

The global economic downturn will probably continue this year and we project that Norway's trading partners will remain in an economic trough throughout the forecasting period. This means that both exports and export prices will grow modestly, particularly this year. Both this year and next year, we expect the Norwegian krone to strengthen further. These are all factors that weaken the profitability of Norwegian export-oriented manufacturing and will probably impact on future wage settlements. Wage growth outside manufacturing will probably largely follow the same trend, with the result that wage growth for the economy as a whole will remain somewhat lower this year and next year than it was in 2012.

With a global economic recovery in 2015 and 2016, we anticipate slightly higher profitability in the exposed parts of manufacturing. Wage growth may then pick up again. A rise in inflation will also contribute to an increase in wage growth, particularly in 2016. On the other hand, the impulses from the petroleum sector, which have helped to keep up the earnings in the supplier industry, are somewhat weaker. This may contribute to some smoothing-out of the differences in the wage capacity that we have witnessed in recent years between companies within and outside the supplier industry. Our projections suggest falling wage shares, but Norwegian employees will nevertheless benefit from increased purchasing power. Growth in real wages is expected to remain between 2 and 2.5 per cent throughout the forecast period.

Inflation

The consumer price index adjusted for tax changes and excluding energy products (CPI-ATE), increased by 1.2 per cent from 2011 to 2012. The underlying rate of inflation has been low since the summer of 2010, and the 12-month growth in CPI-ATE fluctuated in a relatively stable manner around the annual average throughout 2012.

The consumer price index (CPI) rose by just 0.8 per cent from 2011 to 2012. Low electricity prices were the main reason why the growth in the CPI ended well below the CPI-ATE. Last year's high precipitation contributed to high reservoir levels. This resulted in an increase in power generation and low electricity prices for consumers. The CPI adjusted for real tax changes (CPI-AT) rose by 0.6 per cent in 2012. Real tax increases therefore boosted the CPI by 0.2 percentage points. An increase in value added tax on food products and non-alcoholic beverages from 14 to 15 per cent contributed half of this.

Table 2.6 shows changes in CPI by consumption group. Among consumer goods which boosted the CPI growth in 2012 were beverages and tobacco excluding food products, with a combined price growth of over 3 per cent. An increase in crude oil prices contributed to a rise of almost 5 per cent in the prices of fuel and lubricants, which are a subcomponent of transport. An increase in fuel prices were probably also a contributory reason behind a substantial rise in the cost of passenger transport by air and road. Other important contributors which boosted average price rises during 2012 were actual and imputed rent, which rose by 1.9 and 1.7 per cent respectively.

The service groups experienced price growth in 2012 overall, but prices for telecom services fell and are continuing the downward trend we have seen since 1990. The prices of hotel services fell by just over 4 per cent in 2012, following a slight price drop during the previous year. This decrease may be due to the strong increase in the number of guestrooms in the sector in recent years and the use of price as a tool in the competition for market shares. The price of restaurant services went up, boosting growth in the CPI. In general the growth in prices on labour intensive services, with limited scope for productivity growth, are more closely related to growth in wages.

Table 2.7 shows changes in CPI-ATE by delivery sector and shows a 0.7 per cent drop in prices for imported consumer goods during 2012. This resulted in approximately the same contribution to growth in the CPI-ATE as during the previous two years. The fall in prices was particularly marked for audio-visual and telecom equipment from 2011 to 2012. Over the past 14 years, the prices of imported consumer goods have only increased on an annual basis on two occasions and only then in the wake of a significant weakening of the krone. The import-weighted krone exchange rate strengthened

by 2.4 per cent from 2010 to 2011 and by a further 1.2 per cent from 2011 to 2012. Together with a further distortion of imports towards low-cost countries, this is giving substantial negative price impulses in the Norwegian economy. The prices of imported consumer goods are strongly affected by Norwegian cost factors in the form of transport costs and retail trading margins, in addition to the import price at the border, before the goods reach the consumer.

CPI-ATE increased by 1.2 per cent from January 2012 to January 2013, and the growth was thus in line with the annual average for 2012. The development trends observed in 2012 are largely continued in the January index. The growth in CPI increased by 1.3 in the same period. Electricity, including grid rental, showed a total price increase of 6.5 per cent and contributed most to the price growth over the past 12 months. The taxes were largely only adjusted for inflation.

An important factor behind the low rate of growth in the consumer price index in recent years is the development in food prices which, according to the CPI, rose by 0.1 per cent from January 2012 to January 2013 and on average has fallen during the previous two years when corrected for the increase in the rate of value added tax in 2012. Import restrictions and a high proportion of Norwegian-produced food products indicate higher price growth for food products. In the agricultural settlement, target prices were established which gave farmers higher prices for products which come under the target price system. The producer price index for the food industry also shows far stronger price growth than the development in the consumer price index's food product prices. The low consumer price index indicates greater efficiency within the distribution and transport of goods. Although the grocery sector are dominated by few and large corporations, price competition between the major grocery chains in order to retain and win market share may also be a contributory factor in explaining the low rate of growth in food prices. In the projections, we assume that food product prices will pick up somewhat in the years to come, like the general price growth.

At the end of February, reservoir levels in Norway were around 6 percentage points below normal and far lower than at the same time in 2012. Less inflow to reservoirs and a higher level of domestic consumption as a result of lower temperatures than last winter have contributed to the lower water levels. At the end of February, the volume of snow in the mountains was 25 per cent less than in a normal year. The resource situation in the power market and the prices of futures contracts in the Nord Pool region for the immediate quarters indicate a normalisation of power prices this year compared with last year's low prices. At current price levels, grid rental and electricity taxes account for over half of the electricity prices paid by households. Grid rental and electricity taxes normally vary little through the year and dampen the effects of fluctuations in underlying

power prices in the total prices paid by consumers. We expect household electricity prices, including grid rental, to increase by 10 per cent during the current year and that prices then will develop roughly in line with general inflation.

Rents, including holiday homes, have a weighting of almost 20 per cent in CPI-ATE. The 12-month growth in rents picked up from 1.9 per cent to 2.1 per cent from December 2012 to January 2013. We do not expect to see any significant increase in rents and contributions to growth in the CPI-ATE from this consumer group during the current year, but we do expect price growth to pick up again in subsequent years with an increase in mortgage rates and general inflation.

Exchange rates and the development in global prices are key factors in the development of consumer prices for imported consumer goods, which collectively have a weighting of over 30 percent in CPI-ATE. We expect the import-weighted exchange rate to strengthen by just over 3 per cent this year and by a further 1 per cent in 2014, followed by a weakening by half a per cent in 2015 and close to 2 per cent in 2016. The currency weakening in 2013 will again result in negative price impulses from imported goods this year and will be a contributory factor in the absence of a rise in the underlying rate of inflation from 2012 to 2013. The trend in the value of the krone will thereafter contribute to a weakening in the negative price impulses from imports.

Annual wages will increase slightly less over the next two years than in 2012 before wage growth increases once again in 2015-2016. An increase in labour productivity will, when viewed in isolation, dampen the effect of increasing wages. An increase in capital per hour worked is contributing to growth in productivity. With relatively modest industry investments in the latest recovery, growth in labour productivity is expected to fall somewhat on mainland Norway in the years to come. This will increase the growth in costs per unit produced. In the slightly longer term, rising interest rates will increase the capital costs of industry and result in a need to increase prices if earnings are to be maintained.

With the estimates that we have assumed for the development in wage costs per hour, labour productivity and import prices, will growth in the CPI-ATE according to our projections be 1.2 per cent as an annual average in 2013. A gradual rise in import prices and lower labour productivity will then contribute to stronger cost impulses in Norway and lead to a rise in inflation. The growth in CPI-ATE is expected to gradually increase to 2.4 per cent in 2016 and will then be close to the inflation target. Our projections for developments in energy prices mean that CPI growth in 2013 will be 0.3 per cent higher than the growth in the CPI-ATE. An anticipated fall in the price of oil will result in CPI growth being slightly lower than the growth in CPI-ATE in 2014 and 2015.

Table 9. National accounts: Final expenditure and gross domestic product. At constant 2010 prices. Million kroner

	Unadjusted		Seasonally adjusted							
	2011	2012	11.1	11.2	11.3	11.4	12.1	12.2	12.3	12.4
Final consumption expenditure of households and NPISHs	1 117 099	1 149 771	276 900	279 093	280 071	282 525	284 788	287 455	289 471	290 285
Household final consumption expenditure	1 066 563	1 098 551	264 332	266 532	267 387	269 809	271 871	274 638	276 738	277 571
Goods	539 517	550 998	134 044	135 043	135 642	136 292	136 954	138 967	138 819	138 695
Services	485 440	499 847	120 377	121 047	121 500	122 426	123 461	124 224	125 562	126 370
Direct purchases abroad by resident households	70 184	76 988	16 872	17 555	17 584	18 240	18 792	18 832	19 486	19 934
Direct purchases by non-residents	-28 577	-29 281	-6 961	-7 113	-7 339	-7 150	-7 335	-7 386	-7 129	-7 428
Final consumption expenditure of NPISHs	50 535	51 220	12 568	12 561	12 684	12 716	12 917	12 818	12 732	12 714
Final consumption expenditure of general government	568 702	580 736	140 046	142 200	143 407	143 354	143 347	145 252	145 579	145 735
Final consumption expenditure of central government	287 460	292 638	70 765	71 860	72 399	72 519	72 132	73 203	73 424	73 355
Central government, civilian	250 557	255 835	61 754	62 644	63 052	63 205	62 964	64 033	64 218	64 106
Central government, defence	36 903	36 803	9 010	9 217	9 347	9 314	9 168	9 170	9 205	9 249
Final consumption expenditure of local government	281 241	288 097	69 281	70 340	71 008	70 835	71 214	72 049	72 155	72 380
Gross fixed capital formation	518 409	560 659	129 700	124 352	132 195	131 423	136 571	138 356	142 162	143 632
Extraction and transport via pipelines	141 612	162 009	33 469	33 981	37 217	36 993	38 415	40 418	40 575	42 606
Service activities incidental to extraction	-4 013	1 822	-125	-4 085	252	-63	129	403	713	583
Ocean transport	12 190	13 782	3 715	2 698	2 755	3 002	4 263	3 406	2 980	3 152
Mainland Norway	368 621	383 047	92 640	91 758	91 970	91 491	93 764	94 129	97 894	97 291
Mainland Norway excluding general government	285 297	298 568	69 565	72 458	71 510	71 375	72 653	74 106	76 331	75 421
Industries	165 914	170 321	41 191	42 232	41 321	40 809	42 471	42 858	42 949	41 992
Manufacturing and mining	21 205	21 021	5 039	5 177	5 609	5 296	5 450	5 837	4 914	4 960
Production of other goods	42 230	44 114	10 317	10 804	10 627	10 355	11 189	10 739	10 849	11 269
Services	102 479	105 187	25 835	26 251	25 085	25 157	25 832	26 282	27 186	25 763
Dwellings (households)	119 384	128 247	28 373	30 226	30 190	30 566	30 182	31 248	33 382	33 429
General government	83 324	84 479	23 075	19 300	20 460	20 116	21 111	20 023	21 563	21 870
Changes in stocks and statistical discrepancies	113 523	111 034	34 626	24 521	19 607	37 069	26 065	26 977	25 506	28 932
Gross capital formation	631 932	671 694	164 327	148 873	151 801	168 492	162 636	165 332	167 668	172 563
Final domestic use of goods and services	2 317 733	2 402 200	581 272	570 166	575 280	594 371	590 770	598 040	602 718	608 583
Final demand from Mainland Norway	2 054 421	2 113 554	509 585	513 051	515 448	517 370	521 899	526 836	532 944	533 311
Final demand from general government	652 025	665 215	163 121	161 500	163 867	163 470	164 458	165 275	167 143	167 605
Total exports	1 011 430	1 033 642	250 796	250 563	260 314	249 537	262 303	263 464	254 158	253 839
Traditional goods	299 237	307 056	72 630	76 506	76 902	73 140	76 955	76 619	77 089	75 992
Crude oil and natural gas	441 961	445 968	113 206	105 204	116 211	107 497	114 720	116 534	108 650	106 667
Ships, oil platforms and planes	13 768	8 751	1 533	6 605	3 016	2 629	2 084	3 183	2 077	1 418
Services	256 465	271 866	63 427	62 249	64 185	66 270	68 544	67 129	66 342	69 762
Total use of goods and services	3 329 163	3 435 842	832 068	820 729	835 594	843 908	853 073	861 504	856 876	862 422
Total imports	753 912	779 020	196 722	182 152	184 531	191 044	191 868	195 079	194 653	197 240
Traditional goods	451 068	460 456	113 573	112 212	111 398	113 495	114 734	115 067	115 707	114 817
Crude oil and natural gas	11 964	12 159	5 403	2 343	2 560	2 873	3 243	4 096	2 622	2 268
Ships, oil platforms and planes	36 025	25 381	17 178	6 173	6 868	5 784	6 439	6 775	6 431	5 740
Services	254 855	281 024	60 568	61 425	63 705	68 890	67 452	69 141	69 893	74 415
Gross domestic product (market prices)	2 575 251	2 656 823	635 345	638 577	651 063	652 864	661 206	666 425	662 223	665 182
Gross domestic product Mainland Norway (market prices)	2 036 566	2 108 097	500 835	508 476	513 081	516 340	521 383	524 933	529 286	530 961
Petroleum activities and ocean transport	538 685	548 725	134 510	130 101	137 983	136 524	139 823	141 493	132 937	134 221
Mainland Norway (basic prices)	1 747 295	1 811 106	429 105	436 313	440 580	443 088	448 343	450 935	453 829	455 913
Mainland Norway excluding general government	1 337 315	1 393 595	327 861	333 821	337 625	339 643	344 426	346 848	349 333	351 050
Manufacturing and mining	187 309	191 914	46 472	46 767	47 051	47 316	47 563	47 382	48 616	48 394
Production of other goods	224 074	244 884	53 423	55 360	57 865	58 363	60 756	62 091	60 961	60 550
Services incl. dwellings (households)	925 932	956 797	227 966	231 694	232 708	233 964	236 107	237 374	239 756	242 106
General government	409 980	417 511	101 244	102 492	102 956	103 445	103 918	104 087	104 496	104 863
Taxes and subsidies products	289 271	296 991	71 730	72 163	72 500	73 253	73 039	73 998	75 457	75 048

Source: Statistics Norway.

Table 10. **National accounts: Final expenditure and gross domestic product. At constant 2010 prices. Percentage change from the previous period**

	Unadjusted		Seasonally adjusted							
	2011	2012	11.1	11.2	11.3	11.4	12.1	12.2	12.3	12.4
Final consumption expenditure of households and NPISHs	2.5	2.9	0.2	0.8	0.4	0.9	0.8	0.9	0.7	0.3
Household final consumption expenditure	2.5	3.0	0.1	0.8	0.3	0.9	0.8	1.0	0.8	0.3
Goods	1.3	2.1	-1.3	0.7	0.4	0.5	0.5	1.5	-0.1	-0.1
Services	2.4	3.0	1.1	0.6	0.4	0.8	0.8	0.6	1.1	0.6
Direct purchases abroad by resident households	12.0	9.7	4.1	4.0	0.2	3.7	3.0	0.2	3.5	2.3
Direct purchases by non-residents	0.4	2.5	-3.2	2.2	3.2	-2.6	2.6	0.7	-3.5	4.2
Final consumption expenditure of NPISHs	2.5	1.4	1.3	-0.1	1.0	0.3	1.6	-0.8	-0.7	-0.1
Final consumption expenditure of general government	1.8	2.1	0.8	1.5	0.8	0.0	0.0	1.3	0.2	0.1
Final consumption expenditure of central government	0.9	1.8	0.4	1.5	0.7	0.2	-0.5	1.5	0.3	-0.1
Central government, civilian	1.0	2.1	0.3	1.4	0.7	0.2	-0.4	1.7	0.3	-0.2
Central government, defence	0.2	-0.3	0.9	2.3	1.4	-0.4	-1.6	0.0	0.4	0.5
Final consumption expenditure of local government	2.8	2.4	1.3	1.5	1.0	-0.2	0.5	1.2	0.1	0.3
Gross fixed capital formation	7.6	8.1	5.4	-4.1	6.3	-0.6	3.9	1.3	2.8	1.0
Extraction and transport via pipelines	14.1	14.4	5.2	1.5	9.5	-0.6	3.8	5.2	0.4	5.0
Service activities incidental to extraction	..	..	-146.7	..	-106.2	-125.1	-304.0	212.2	76.8	-18.3
Ocean transport	-27.2	13.1	3.3	-27.4	2.1	9.0	42.0	-20.1	-12.5	5.8
Mainland Norway	8.5	3.9	6.0	-1.0	0.2	-0.5	2.5	0.4	4.0	-0.6
Mainland Norway excluding general government	10.5	4.7	3.9	4.2	-1.3	-0.2	1.8	2.0	3.0	-1.2
Industries	3.5	2.7	0.0	2.5	-2.2	-1.2	4.1	0.9	0.2	-2.2
Manufacturing and mining	4.5	-0.9	1.6	2.7	8.3	-5.6	2.9	7.1	-15.8	0.9
Production of other goods	8.4	4.5	3.7	4.7	-1.6	-2.6	8.1	-4.0	1.0	3.9
Services	1.5	2.6	-1.6	1.6	-4.4	0.3	2.7	1.7	3.4	-5.2
Dwellings (households)	21.9	7.4	10.0	6.5	-0.1	1.2	-1.3	3.5	6.8	0.1
General government	2.2	1.4	12.7	-16.4	6.0	-1.7	4.9	-5.2	7.7	1.4
Changes in stocks and statistical discrepancies	3.0	-2.2	22.3	-29.2	-20.0	89.1	-29.7	3.5	-5.5	13.4
Gross capital formation	6.7	6.3	8.5	-9.4	2.0	11.0	-3.5	1.7	1.4	2.9
Final domestic use of goods and services	3.4	3.6	2.6	-1.9	0.9	3.3	-0.6	1.2	0.8	1.0
Final demand from Mainland Norway	3.3	2.9	1.4	0.7	0.5	0.4	0.9	0.9	1.2	0.1
Final demand from general government	1.9	2.0	2.3	-1.0	1.5	-0.2	0.6	0.5	1.1	0.3
Total exports	-1.8	2.2	-1.3	-0.1	3.9	-4.1	5.1	0.4	-3.5	-0.1
Traditional goods	0.0	2.6	-1.1	5.3	0.5	-4.9	5.2	-0.4	0.6	-1.4
Crude oil and natural gas	-6.2	0.9	-0.5	-7.1	10.5	-7.5	6.7	1.6	-6.8	-1.8
Ships, oil platforms and planes	59.6	-36.4	-14.7	330.8	-54.3	-12.8	-20.7	52.7	-34.7	-31.7
Services	2.2	6.0	-2.7	-1.9	3.1	3.2	3.4	-2.1	-1.2	5.2
Total use of goods and services	1.8	3.2	1.4	-1.4	1.8	1.0	1.1	1.0	-0.5	0.6
Total imports	3.8	3.3	8.5	-7.4	1.3	3.5	0.4	1.7	-0.2	1.3
Traditional goods	3.6	2.1	2.4	-1.2	-0.7	1.9	1.1	0.3	0.6	-0.8
Crude oil and natural gas	0.6	1.6	118.7	-56.6	9.3	12.2	12.9	26.3	-36.0	-13.5
Ships, oil platforms and planes	20.1	..	188.9	-64.1	11.3	-15.8	11.3	5.2	-5.1	-10.7
Services	2.3	10.3	-2.2	1.4	3.7	8.1	-2.1	2.5	1.1	6.5
Gross domestic product (market prices)	1.2	3.2	-0.7	0.5	2.0	0.3	1.3	0.8	-0.6	0.4
Gross domestic product Mainland Norway (market prices)	2.5	3.5	0.7	1.5	0.9	0.6	1.0	0.7	0.8	0.3
Petroleum activities and ocean transport	-3.3	1.9	-5.5	-3.3	6.1	-1.1	2.4	1.2	-6.0	1.0
Mainland Norway (basic prices)	2.6	3.7	0.6	1.7	1.0	0.6	1.2	0.6	0.6	0.5
Mainland Norway excluding general government	2.6	4.2	0.3	1.8	1.1	0.6	1.4	0.7	0.7	0.5
Manufacturing and mining	2.1	2.5	0.1	0.6	0.6	0.6	0.5	-0.4	2.6	-0.5
Production of other goods	2.2	9.3	-2.8	3.6	4.5	0.9	4.1	2.2	-1.8	-0.7
Services incl. dwellings (households)	2.8	3.3	1.1	1.6	0.4	0.5	0.9	0.5	1.0	1.0
General government	2.4	1.8	1.6	1.2	0.5	0.5	0.5	0.2	0.4	0.4
Taxes and subsidies products	2.0	2.7	1.3	0.6	0.5	1.0	-0.3	1.3	2.0	-0.5

Source: Statistics Norway.

Table 11. National accounts: Final expenditure and gross domestic product. Price indices. 2010=100

	Unadjusted		Seasonally adjusted							
	2011	2012	11.1	11.2	11.3	11.4	12.1	12.2	12.3	12.4
Final consumption expenditure of households and NPISHs	101.3	102.2	100.6	101.5	101.2	101.3	102.3	101.6	101.8	102.6
Final consumption expenditure of general government	103.9	107.8	103.0	103.1	103.9	105.6	106.2	107.2	108.2	109.6
Gross fixed capital formation	103.5	106.7	101.8	102.8	103.7	105.6	105.6	106.5	106.5	107.9
Mainland Norway	103.8	107.2	102.4	103.5	104.1	105.2	106.1	107.0	107.2	108.4
Final domestic use of goods and services	102.9	105.3	102.0	103.2	103.1	102.8	105.1	105.4	105.7	105.7
Final demand from Mainland Norway	102.5	104.6	101.6	102.3	102.5	103.2	104.0	104.1	104.5	105.6
Total exports	112.8	115.0	110.8	112.3	111.8	116.9	117.5	114.6	113.9	114.4
Traditional goods	105.7	101.0	107.4	107.3	104.5	104.4	102.9	101.2	99.6	100.6
Total use of goods and services	105.9	108.3	104.6	106.0	105.8	106.9	108.9	108.2	108.1	108.3
Total imports	102.9	103.2	103.7	103.4	103.1	102.5	103.9	104.3	104.8	102.1
Traditional goods	104.2	104.8	104.7	104.0	103.7	104.5	104.8	104.4	105.0	105.0
Gross domestic product (market prices)	106.8	109.7	104.9	106.7	106.6	108.2	110.4	109.4	109.1	110.1
Gross domestic product Mainland Norway (market prices)	102.6	104.7	101.8	102.8	102.8	102.6	103.7	104.3	104.7	105.9

Source: Statistics Norway.

Table 12. National accounts: Final expenditure and gross domestic product. Price indices. Percentage change from previous period

	Unadjusted		Seasonally adjusted							
	2011	2012	11.1	11.2	11.3	11.4	12.1	12.2	12.3	12.4
Final consumption expenditure of households and NPISHs	1.3	0.9	0.0	0.9	-0.3	0.1	0.9	-0.7	0.2	0.8
Final consumption expenditure of general government	3.9	3.8	1.1	0.1	0.8	1.6	0.6	0.9	0.9	1.2
Gross fixed capital formation	3.5	3.1	1.0	1.0	0.9	1.8	0.0	0.8	-0.1	1.4
Mainland Norway	3.8	3.3	1.1	1.1	0.6	1.0	0.9	0.9	0.2	1.1
Final domestic use of goods and services	2.9	2.4	1.1	1.2	-0.1	-0.3	2.3	0.3	0.3	0.0
Final demand from Mainland Norway	2.5	2.1	0.5	0.7	0.2	0.7	0.8	0.0	0.4	1.0
Total exports	12.8	2.0	3.7	1.4	-0.5	4.6	0.5	-2.5	-0.7	0.5
Traditional goods	5.7	-4.4	2.5	-0.1	-2.6	-0.1	-1.4	-1.7	-1.6	1.1
Total use of goods and services	5.9	2.2	1.9	1.3	-0.2	1.1	1.9	-0.6	-0.1	0.1
Total imports	2.9	0.3	2.6	-0.3	-0.3	-0.6	1.4	0.4	0.5	-2.6
Traditional goods	4.2	0.5	2.6	-0.6	-0.3	0.8	0.3	-0.4	0.6	0.0
Gross domestic product (market prices)	6.8	2.8	1.7	1.7	-0.2	1.6	2.0	-0.9	-0.3	0.9
Gross domestic product Mainland Norway (market prices)	2.6	2.0	-0.3	1.1	0.0	-0.2	1.1	0.5	0.4	1.1

Source: Statistics Norway.

Table 8. Main economic indicators 2003-2016. Accounts and forecasts. Percentage change from previous year unless otherwise noted

	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012*	Forecasts			
											2013	2014	2015	2016
Demand and output														
Consumption in households etc.	3.2	5.4	4.4	5.0	5.4	1.8	0.0	3.8	2.5	2.9	3.3	4.2	3.7	3.3
General government consumption	1.3	1.2	1.4	1.9	2.7	2.7	4.3	1.3	1.8	2.1	2.2	2.4	2.4	2.5
Gross fixed investment	0.8	11.1	13.5	9.8	11.4	0.2	-7.5	-8.0	7.6	8.1	6.3	5.3	3.8	3.1
Extraction and transport via pipelines	15.9	10.4	19.2	4.0	6.1	5.2	3.4	-9.5	14.1	14.4	10.4	5.1	2.5	3.5
mainland Norway	-2.9	10.6	12.2	10.5	13.3	-1.3	-13.2	-4.5	8.5	3.9	5.2	5.1	4.1	3.1
Industries	-11.2	10.6	18.6	15.2	21.9	0.8	-23.1	-5.1	3.5	2.7	4.6	5.0	3.5	2.5
Housing	1.8	16.3	9.7	4.0	2.7	-9.0	-8.2	-1.6	21.9	7.4	6.5	4.7	3.5	1.6
General government	12.5	3.9	2.0	9.7	8.0	4.5	7.4	-6.8	2.2	1.4	4.4	6.0	6.2	6.4
Demand from Mainland Norway ¹	1.6	5.1	4.9	5.2	6.3	1.4	-1.6	1.5	3.3	2.9	3.3	3.8	3.4	3.0
Stockbuilding ²	-1.1	2.3	-0.1	1.1	-0.2	-0.1	-2.8	3.5	0.1	-0.1	0.1	-0.2	0.0	0.0
Exports	-0.1	1.0	0.5	-0.8	1.4	0.1	-4.2	0.4	-1.8	2.2	1.4	1.1	1.2	2.2
Crude oil and natural gas	-0.8	-0.7	-5.0	-6.6	-2.4	-1.3	-2.0	-6.9	-6.2	0.9	2.7	0.9	-0.1	0.6
Traditional goods	3.7	3.6	5.3	6.1	9.2	3.5	-8.0	3.4	0.0	2.6	-0.2	1.8	2.6	3.8
Imports	1.2	9.7	7.9	9.1	10.0	3.9	-12.5	9.0	3.8	3.3	5.0	3.8	4.4	3.9
Traditional goods	5.7	12.8	8.4	11.6	7.2	1.2	-12.9	9.1	3.6	2.1	4.0	5.3	4.9	4.4
Gross domestic product	1.0	4.0	2.6	2.3	2.7	0.1	-1.6	0.5	1.2	3.2	2.4	2.6	2.2	2.4
Mainland Norway	1.3	4.5	4.4	4.8	5.3	1.5	-1.6	1.7	2.5	3.5	2.6	3.1	2.8	2.8
Manufacturing	2.9	5.1	3.9	2.6	3.5	2.9	-7.4	2.4	2.1	2.5	1.7	2.0	1.7	2.0
Labour market														
Total hours worked, Mainland Norway	-2.1	1.9	1.5	3.3	4.3	3.5	-2.3	0.0	1.7	2.0	0.9	1.7	1.8	1.8
Employed persons	-1.2	0.5	1.3	3.5	4.1	3.3	-0.4	-0.5	1.3	2.2	1.5	1.4	1.4	1.4
Labor force ³	-0.1	0.3	0.8	1.9	2.5	3.4	0.0	0.5	1.1	1.8	1.6	1.5	1.5	1.4
Participation rate (level) ³	72.9	72.6	72.4	72.0	72.8	73.9	72.8	71.9	71.4	71.6	71.7	71.7	71.7	71.7
Unemployment rate (level) ³	4.5	4.5	4.6	3.4	2.5	2.6	3.2	3.6	3.3	3.2	3.4	3.4	3.4	3.3
Prices and wages														
Wages per standard man-year	4.5	3.5	3.3	4.1	5.4	6.3	4.2	3.7	4.2	4.0	3.8	3.9	4.1	4.5
Consumer price index (CPI)	2.5	0.4	1.6	2.3	0.8	3.8	2.1	2.5	1.2	0.8	1.5	1.4	1.8	2.4
CPI-ATE ⁴	1.1	0.3	1.0	0.8	1.4	2.6	2.6	1.4	0.9	1.2	1.2	1.6	1.9	2.4
Export prices, traditional goods	-1.0	8.4	4.0	11.3	2.4	2.8	-6.0	4.5	5.7	-4.4	0.8	1.3	2.8	3.7
Import prices, traditional goods	0.0	2.6	0.3	4.0	3.7	3.9	-1.5	0.1	4.2	0.5	-0.7	0.1	1.4	2.6
Housing prices ⁵	1.7	10.1	8.2	13.7	12.6	-1.1	1.9	8.3	8.0	6.7	6.0	6.1	5.1	4.7
Income, interest rates and exchange rate														
Household real income	4.6	3.3	7.8	-6.4	6.3	4.0	4.1	2.7	4.1	3.9	4.6	3.9	2.7	2.5
Household saving ratio (level)	9.0	7.0	9.8	-0.5	0.9	3.8	7.1	5.8	7.3	8.7	9.4	9.3	8.4	7.7
Money market rate (level)	4.1	2.0	2.2	3.1	5.0	6.2	2.5	2.5	2.9	2.2	1.9	2.5	3.5	4.0
Lending rate, credit loans(level) ⁶	6.5	4.2	3.9	4.3	5.0	6.8	4.0	3.4	3.6	3.8	3.7	4.1	4.9	5.5
Real after-tax lending rate, banks (level)	2.2	2.5	1.3	0.7	2.9	1.1	0.7	0.1	1.3	2.1	1.2	1.5	1.7	1.5
Importweighted krone exchange rate (44 countries) ⁷	1.3	3.0	-3.9	0.7	-1.8	0.0	3.3	-3.7	-2.4	-1.2	-3.2	-1.1	0.5	1.7
NOK per euro (level)	8.0	8.4	8.0	8.1	8.0	8.2	8.7	8.0	7.8	7.5	7.3	7.3	7.3	7.4
Current account														
Current balance (bill. NOK)	195.2	220.6	322.8	357.7	287.4	408.3	279.3	303.2	351.4	414.0	335.4	292.7	253.8	246.6
Current balance (per cent of GDP)	12.3	12.6	16.5	16.4	12.5	16.0	11.7	11.9	12.8	14.2	11.1	9.4	7.9	7.3
International indicators														
Exports markets indicator	2.6	7.7	7.0	9.6	5.6	1.2	-10.4	10.9	5.3	1.4	1.1	3.3	4.6	6.1
Consumer price index, euro-area	2.1	2.1	2.2	2.2	2.2	3.3	0.3	1.7	2.7	2.5	1.7	1.5	1.6	1.7
Money market rate, euro(level)	2.3	2.1	2.2	3.1	4.3	4.6	1.2	0.8	1.4	0.5	0.1	0.6	1.6	2.0
Crude oil price NOK (level) ⁸	201	255	356	423	422	536	388	484	621	649	610	560	553	575

¹ Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in mainland Norway.² Change in stockbuilding. Per cent of GDP.³ According to Statistics Norway's labour force survey(LFS). Break in data series in 2006.⁴ CPI adjusted for tax changes and excluding energy products.⁵ Break in data series in 2004.⁶ Yearly average. Lending rate, banks until 2006⁷ Increasing index implies depreciation.⁸ Average spot price Brent Blend.

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