

Economic Survey

Statistics Norway



Statistisk sentralbyrå

- Economic developments in Norway
- Forecasts 2015-2018

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Economic trends

The cyclical downturn in Norway has now lasted for over a year, primarily driven by a sharp decline in petroleum investment. Weak global economic growth has been curbing Norwegian economic growth for a long period. The heavy flow of asylum-seekers to Europe will push growth slightly up in the euro area and Norway, thereby contributing to a cautious Norwegian upturn in the second half of 2016.

Economic growth in most OECD countries fell in the third quarter. Developments in emerging countries are following two different paths. Major exporters of commodities, such as Brazil and Russia, are hard hit by the low commodity prices. However, growth remains strong in India and China, which both import large quantities of commodities. Falling commodity prices coupled with the global downturn have resulted in very low inflation worldwide. Somewhat higher global economic growth in the period ahead will cause commodity prices, including oil, to pick up somewhat.

The large number of asylum-seekers arriving in Europe recently will mean increased public spending. Of Norway's most important trading partners, Germany and Sweden, in particular, are accepting large numbers of refugees. German authorities have forecast an increase in public spending equivalent to 0.5 per cent of GDP in 2016 and 2017. The projection for Sweden is 0.9 per cent of GDP in 2016. In the short term, the increased expenses appear likely to result in larger budget deficits, and thereby constitute an economic stimulus. We have accordingly revised upwards the GDP growth projection for the euro area by just on 0.2 percentage point next year and 0.1 percentage point in 2017, and appreciably more for Sweden. Slightly higher economic growth will not reduce the very high unemployment in the euro area very much, however. Although inflation will rise slightly, it is unlikely to reach the ECB's inflation target within our forecast horizon. Interest rates are therefore likely to be low until 2018.

Both fiscal and monetary policy have generated, and will continue to generate, a large and to some extent increasing stimulus to the Norwegian economy. The improved cost-competitiveness due to the long period of weakening of the krone is having a positive effect on traditional exports. Our assessment is that mainland business investment will pick up somewhat in the near term. As the fall in petroleum investment tapers off, and we receive a little more impetus from the global economy, we could quickly see a shift to slightly higher growth, and a cyclical upturn could come in the third quarter of 2016. The low output growth since the summer of 2014 has resulted in relatively weak employment developments, with unemployment rising by about one percentage point from last year's average, and we have now reverted to the level in 2005. The increased near-term activity growth is expected to bring unemployment down a little in a year's time.

The flow of asylum-seekers to Norway has been strong this autumn. It has been appreciably reduced in recent weeks, however, and we assume it will slow further. The inflow will remain far higher than normal throughout the projection period, nonetheless. This is happening at a time of growing slack in many parts of the Norwegian economy, which means that the inflow of asylum-seekers can be handled without it creating any particular pressure on the economy. We forecast that mainland economic growth will be 0.2 percentage point higher next year than it would otherwise have been, while unemployment will be only marginally reduced. However, the increased public spending will entail a reduction in spending at a later time. It is not certain how this will affect the long-term goal of restructuring the Norwegian economy. The inflow of refugees in itself implies restructuring, but not to any new or permanent type of activity. How quickly, and how well, the asylum-seekers are integrated into working life and other aspects of Norwegian society will be decisive for the impact on the welfare of the Norwegian population other than the new asylum-seekers. The return on the public resources spent on this may be high. In addition to reducing the pressure on government budgets directly over time, high participation in Norwegian working life will have a positive effect on economic growth.

Economic developments in Norway

The Norwegian economic downturn is continuing. Reduced demand from the petroleum industry in Norway and abroad have led to low mainland economic growth since the summer of 2014. The seasonally adjusted quarterly national accounts figures (QNA) show slow growth for five quarters. Mainland GDP increased by an annualised 1.1 per cent from the second quarter of 2014 to the third quarter of 2015 and by 1.0 per cent in the third quarter of 2015. By way of comparison, our estimate for trend growth in mainland GDP is 2¼ per

cent. The weak output developments have also contributed to low employment growth. The labour force has increased further, resulting in a rise in unemployment. According to the Labour Force Survey (LFS), the number of unemployed as a share of the labour force rose from 3.2 per cent in the second quarter of 2014 to 4.6 per cent in the period August to October 2015.

Reduced petroleum investment is a major cause of the weak cyclical tendency. The oil price has plunged from

Table 1. Macroeconomic indicators. Growth from previous period unless otherwise noted. Per centosent

	2013*	2014*	Seasonally adjusted			
			14:4	15:1	15:2	15:3
Demand and output						
Consumption in households etc.	2.7	1.7	0.7	0.7	0.6	0.1
General government consumption	1.0	2.9	0.6	0.2	0.7	0.6
Gross fixed investment	6.3	0.0	-2.8	-0.9	0.1	0.2
Mainland Norway	2.9	1.3	-0.9	-1.4	2.0	3.1
Extraction and transport via pipelines	19.3	-2.9	-7.2	-0.3	-4.5	-7.6
Final domestic demand from Mainland Norway ¹	2.3	2.0	0.3	0.1	0.9	0.9
Exports	-1.7	2.2	4.5	-2.8	0.3	4.6
Crude oil and natural gas	-5.5	1.9	6.0	-5.2	0.5	6.4
Traditional goods	1.3	2.5	0.8	2.7	-0.3	1.6
Imports	4.9	1.5	-1.4	2.8	-2.8	-2.3
Traditional goods	2.3	1.0	0.2	3.0	-0.8	-3.6
Gross domestic product	1.0	2.2	1.1	0.2	0.0	1.8
Mainland Norway	2.3	2.3	0.4	0.3	0.3	0.2
Labour market						
Man-hours worked	0.4	1.5	0.2	0.0	0.2	0.1
Employed persons	1.1	1.1	0.1	0.1	0.3	0.2
Labour force ²	1.0	1.1	0.7	0.2	0.5	0.4
Unemployment rate, level ²	3.5	3.5	3.7	4.1	4.3	4.6
Prices and wages						
Annual earnings	3.9	3.1	..	..	..	..
Consumer price index (CPI) ³	2.1	2.0	2.0	2.0	2.2	2.0
CPI adjusted for tax changes and excluding energy products (CPI-ATE) ³	1.6	2.4	2.4	2.3	2.6	2.9
Export prices, traditional goods	2.7	4.0	2.9	1.4	0.3	-0.4
Import prices, traditional goods	1.5	5.5	1.9	2.2	-0.4	1.9
Balance of payment						
Current balance, bill. NOK	314.2	307.0	89.8	76.1	71.1	43.6
Memorandum items (unadjusted level)						
Money market rate (3 month NIBOR)	1.8	1.7	1.6	1.4	1.4	1.2
Lending rate, credit loans ⁴	4.0	3.9	3.7	3.5	3.3	3.1
Crude oil price NOK ⁵	639	621	526	428	491	421
Importweighted krone exchange rate, 44 countries, 1995=100	89.0	93.7	97.0	101.0	100.2	105.1
NOK per euro	7.8	8.4	8.6	8.7	8.6	9.1

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

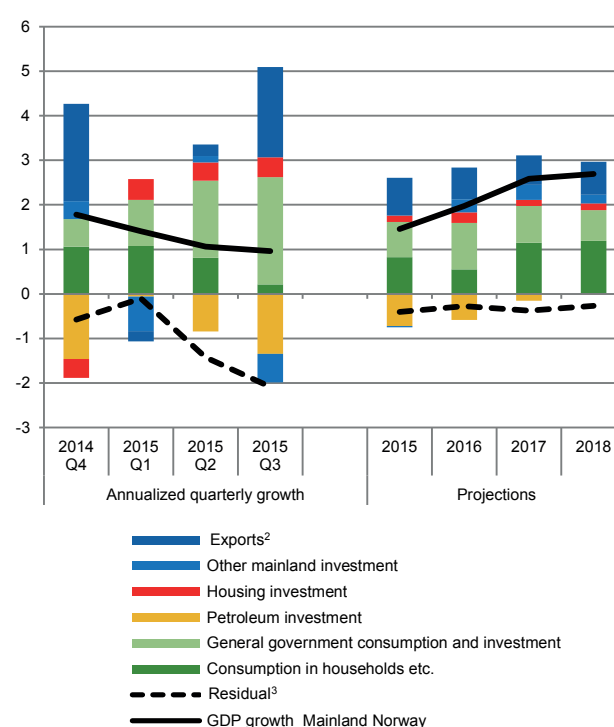
USD 115 per barrel in the early summer of 2014 to around USD 45 per barrel towards the end of November this year. The decline in petroleum investment started almost a year before the fall in the oil price, however, in response to relatively poor profitability as a result of high costs on the Norwegian continental shelf. Petroleum investment has fallen every quarter since the third quarter of 2013, and the overall fall these past two years is close to 25 per cent. According to the preliminary QNA figures, the decline in the third quarter of this year was 7.6 per cent, the most pronounced to date in the downturn. Direct and indirect deliveries from Norwegian industries to the Norwegian petroleum sector account for about 9 per cent of non-oil value added. The lapse of this demand therefore has a major impact on the Norwegian economy. Industries that make large deliveries directly to the petroleum industry are hardest hit by the fall in demand, but as virtually all industries deliver either directly or indirectly to the petroleum sector, the negative impulse impacts the Norwegian economy on a broad front.

There are substantial differences in employment developments across industries. There was a marked fall in the petroleum industry through the first three quarters of 2015, and the decline was even more pronounced in the typical supplier industries. Conversely, employment in construction, the accommodation and food service activities and general government has increased substantially. According to the seasonally adjusted QNA figures, there has been a certain rise in employment through the current cyclical downturn, partly because average working hours have declined. This is due to some extent to an increase in the number of temporary layoffs, who are classified in the statistics as employed persons with zero man-hours worked. In the third quarter, employment increased by 0.2 per cent, the same amount as mainland GDP. However, the labour force has increased considerably more, with the result that unemployment has risen.

Not all aspects of the Norwegian economy are sombre, however. The negative impulses from the petroleum industry are offset by positive impulses from economic

policy and the effect on the krone exchange rate of the slide in oil prices. Fiscal policy has been clearly expansionary for the past two years. Norwegian interest rates are record low, and the krone has been weakening steadily for almost three years. A sharp rise in house prices until quite recently and strong growth in construction activity are among the clearest effects of the expansionary monetary policy. The weakening of the krone implies a considerable improvement of

Figure 1. GDP growth Mainland Norway and contribution by final demand components¹. Percentage points



¹ Demand components are calculated as the change in each variable, adjusted for the direct and indirect import shares, relative to the level of GDP Mainland Norway in the preceding period. The import shares can be found in Economic Survey 1/2014. All variables are seasonally adjusted and at constant prices.

² Exports is defined as total exports minus exports of crude oil, natural gas, ships, oil platforms and planes.

³ The residual is the sum of all the demand factors that are left out as well as changes in stocks and statistical discrepancies.

Source: Statistics Norway.

Table 2. Growth in mainland GDP and contributions from demand components¹. Percentage points. annual rate

	QNA figures				Projection			
	2014:4	2015:1	2015:2	2015:3	2015	2016	2017	2018
Consumption by households and non-profit organisations	1.1	1.1	0.8	0.2	0.8	0.5	1.1	1.2
General government consumption and investment	0.6	1.0	1.7	2.4	0.8	1.0	0.8	0.7
Petroleum investment	-1.5	-0.1	-0.8	-1.3	-0.7	-0.6	-0.2	0.0
Housing investment	-0.4	0.5	0.4	0.4	0.1	0.2	0.1	0.2
Other mainland investment	0.4	-0.8	0.1	-0.6	0.0	0.3	0.3	0.2
Exports	2.2	-0.2	0.3	2.0	0.8	0.7	0.7	0.7
Other deviations	-0.6	-0.1	-1.4	-2.1	-0.4	-0.3	-0.4	-0.3
Growth in mainland GDP	1.8	1.4	1.1	1.0	1.5	2.0	2.6	2.7

¹ See footnotes to Figure 2.1.

Source: Statistics Norway.

cost-competitiveness, which has contributed to marked growth in traditional exports, while imports show little growth.

We expect the oil price to remain low, but to gradually rise to just over USD 60 per barrel towards the end of 2018. The consequences in real economic terms of a low oil price will first and foremost be a continued sharp reduction in demand from the petroleum industry for a couple of years ahead, which will continue to generate negative growth impulses to the Norwegian economy on a broad front.

There has been a large increase in the number of asylum-seekers in recent months, and it appears likely that there will be far higher numbers also in the years ahead than has been the norm previously. This implies that fiscal policy will become increasingly expansionary in both the fourth quarter of this year and the years ahead. The associated extra public expenditure is to some extent made possible by higher spending of petroleum revenue. The remainder of the financing, in the form of an increase in direct and indirect taxes, increased dividends from state-owned companies and reallocation of public spending compared with the national budget originally proposed by the Government, will have little contractionary effect on the economy.

We assume that the interest rate level in Norway will be reduced even further this winter. The rise in house prices has slowed and, seasonally adjusted, will be slightly negative for the next few quarters, but given the stimulus of the low interest rate level, will gather pace again in 2017 and 2018. As a result housing investment will continue to increase quite appreciably in the near term.

Growth in household consumption was very weak in the third quarter of 2015, and will not generate particularly strong growth impulses in the next few quarters either. Real wages are unlikely to change much from 2015 to 2016. Growth in both employment and real transfers and lower interest expenses will nonetheless result in some growth in household real disposable income in 2016, but lower than in any other year since the 2008 financial crisis. Growth in both revenue and consumption is expected to pick up a little further ahead.

Demand in Norwegian export markets picked up in 2014, and after slightly slower growth this year is expected to pick up somewhat more in the next few years. This, in combination with the improvement in cost-competitiveness that has already come about, will lead to clear growth in traditional exports. So far in 2015, unusually strong growth in exports of refined products has pushed up growth, with the result that total export growth will probably be lower in 2016 than in 2015. We assume that the import-weighted

krone exchange rate will remain at about the level in November this year until the end of 2016. Subsequently we expect a certain strengthening of the krone, which will restrain export growth in 2017 and 2018.

Aggregate mainland business investment fell appreciably through the first three quarters of 2015. This tendency is expected to reverse in the near term. Lower interest rates and favourable prospects for traditional exposed sectors are factors that are expected to result in increased investment, and surveys in several goods-producing industries indicate that investment will be higher going forward.

On balance, we expect activity in the mainland economy to pick up quickly, albeit not strongly. The negative impulses from the petroleum industry will be reduced, while mainland demand will increase. As a result, a new, if moderate, cyclical upturn may commence in around the second half of 2016. Employment growth will therefore be low in the near term. Although inward labour migration will be lower than seen previously, it will continue to contribute to growth in the labour supply. Overall, unemployment will continue to rise into 2016, and then fall somewhat, resulting in average unemployment in 2016 of 4.6 per cent. In 2017 and 2018, employment growth will be stronger than growth in the labour force, leading to lower unemployment.

Underlying inflation, measured by the 12-month rise in the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) is now somewhat higher than the 2.5 per cent inflation target. Time-lagged effects of the weakening of the krone will buoy up inflation in early 2016, while higher energy prices and somewhat higher taxes will push up the rise in overall consumer prices facing households in 2016 to almost 3 per cent. In 2017 and 2018, underlying price inflation will be lower again as the time-lagged exchange rate effects wane and the krone appreciates somewhat. Higher indirect taxes and a somewhat higher oil price may lead to the CPI rising slightly more than the CPI-ATE. Wage growth is expected to remain at a stable, low level throughout the projection period. This implies that real wages will remain almost unchanged next year, while real wage growth is expected to be clearly positive in both 2017 and 2018.

Fiscal policy – high spending growth next year

According to the preliminary national accounts figures, general government spending growth through the past four quarters has been over 2 per cent, as an annual rate. There is a tendency to increased growth through 2015, and the costs associated with the large increase in the number of asylum-seekers this autumn will cause spending to increase further in the fourth quarter of 2015. On the basis of information in the Government's Supplementary Proposition, we now estimate general government consumption growth at 2.6 per cent in 2015. Gross general government investment increased

Table 3. Main economic indicators 2014-2018. Accounts and forecasts Percentage change from previous year unless otherwise noted

	Accounts			Forecast								
	2014	2015			2016			2017			2018	
		SSB	NB	FIN	SSB	NB	FIN	SSB	NB	FIN	SSB	NB
Demand and output												
Consumption in households etc.	1.7	2.3	2 1/2	2.5	1.5	1 3/4	1.9	3.2	3	2.8	3.3	3
General government consumption	2.9	2.6	..	2.4	3.5	..	2.7	2.1	..	1.4	2.3	..
Gross fixed investment	0.0	-2.7	..	-2.4	0.6	..	0.2	3.3	..	2.5	2.4	..
Extraction and transport via pipelines ¹	-2.9	-14.1	-12 1/2	-11.3	-13.6	-10	-8.1	-4.2	-5	-5.5	-0.2	-2 1/2
Mainland Norway	1.3	1.6	..	..	5.0	..	..	5.5	..	..	3.1	..
Industries	-0.4	-0.6	..	-0.4	5.8	..	4.5	6.5	..	6.7	3.5	..
Housing	-1.5	3.0	..	1.2	4.9	..	1.4	2.8	..	4.4	3.1	..
General government	7.3	3.6	..	3.5	3.8	..	3.0	7.0	..	3.2	2.4	..
Demand from Mainland Norway ²	2.0	2.2	1 1/2	2.2	2.8	2 1/4	2.4	3.4	3	2.9	3.0	3
Stockbuilding ³	0.5	0.0	..	..	-0.1	..	..	0.0	..	..	0.0	..
Exports	2.2	3.4	..	2.5	2.4	..	1.3	1.9	..	2.4	2.2	..
Crude oil and natural gas	1.9	2.0	..	0.0	0.7	..	-2.4	0.0	..	0.1	0.1	..
Traditional goods ⁴	2.5	5.4	5 1/4	4.1	4.2	3 1/4	4.0	3.3	4	4.0	3.6	3 3/4
Imports	1.5	1.2	3 3/4	2.5	2.1	1 1/4	2.7	3.9	3	4.5	3.7	3 1/2
Traditional goods	1.0	1.5	..	1.8	2.1	..	3.3	4.5	..	4.6	4.5	..
Gross domestic product	2.2	1.8	1 1/4	1.2	1.7	1	1.2	2.1	1 3/4	1.6	2.2	2
Mainland Norway	2.3	1.5	1 1/4	1.3	2.0	1 1/4	1.8	2.6	2	2.1	2.7	2 1/2
Labour market												
Employed persons	1.1	0.7	1/2	0.5	0.7	1/4	0.5	1.4	3/4	0.9	1.0	1
Unemployment rate (level)	3.5	4.4	4 1/4	4.4	4.6	4 1/2	4.5	4.4	4 1/4	4.2	4.3	4
Prices and wages												
Annual earnings	3.1	2.8	2 3/4	2.7	2.6	2 3/4	2.7	2.5	3 1/4	3.0	2.9	3 3/4
Consumer price index (CPI)	2.0	2.2	2 1/4	2.1	2.8	2 3/4	2.5	2.1	2 1/4	2.1	1.6	2
CPI-ATE ⁵	2.4	2.7	2 3/4	2.7	2.6	2 3/4	2.5	1.9	2 1/4	2.1	1.4	2
Export prices. traditional goods	4.0	4.0	..	..	2.0	..	..	3.5	..	..	1.9	..
Import prices. traditional goods	5.5	4.9	..	..	3.5	..	..	1.7	..	..	0.8	..
Housing prices	2.7	5.8	..	..	1.5	..	..	4.4	..	..	5.7	..
Balance of payment												
Current balance (bill. NOK)	307.0	252.0	..	..	231.2	..	..	270.9	..	..	293.5	..
Current balance (per cent of GDP)	9.7	8.0	..	..	7.1	..	..	7.9	..	..	8.2	..
Memorandum items:												
Household savings ratio (level)	8.8	9.8	..	..	9.9	..	..	9.7	..	..	9.2	..
Money market rate (level)	1.7	1.3	1.3	1.3	0.8	0.9	0.8	0.8	0.9	0.9	1.0	..
Lending rate. credit loans (level) ⁶	3.9	3.2	..	..	2.6	..	..	2.5	..	..	2.6	..
Crude oil price NOK (level) ⁷	621	435	..	432	438	..	440	468	..	474	480	..
Export markets indicator	4.6	3.7	..	..	4.4	..	..	5.1	..	..	5.5	..
Importweighted krone exchange rate (44 countries) ⁸	5.3	10.3	9.7	9.0	3.9	0.2	1.5	-2.1	-1.9	0.6	-2.8	-1.5

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).

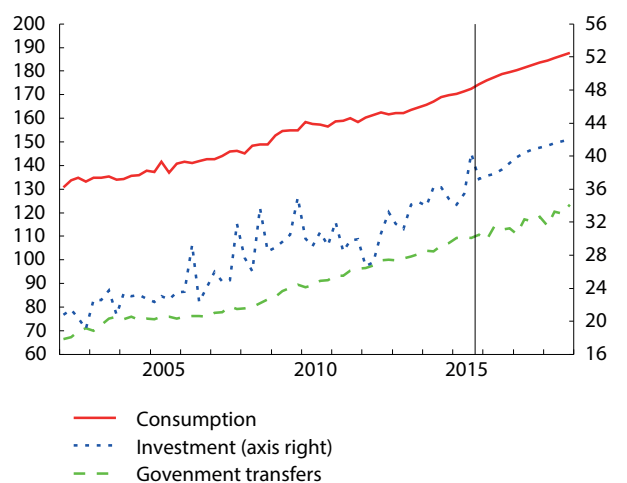
⁶ Yearly average.

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. 2 (2014-2016). (MoF). Norges Bank. Pengepolitisk rapport 3/2015 (NB).

Figure 2. **General government. Seasonally adjusted, billion 2013-kr., quarterly**



Source: Statistics Norway.

strongly from the second to the third quarter of 2015 as the result of the Armed Forces' taking delivery of a new fighter aircraft and increased investment in infrastructure. We assume that annual growth from 2014 to 2015 will be 3.6 per cent.

The increase in transfers to households appears to be just under 7 per cent in 2015. Almost 3 percentage points of the increase can be attributed to changes in the rules for disability pensions, which are offset by increased taxes for persons receiving a disability pension. Given consumer price inflation of over 2 per cent in 2015, this means that real growth in transfers adjusted for the change in disability pensions will be slightly less than 2 per cent. Overall real growth in public consumption, gross investment and transfers from 2014 to 2015 thus appears to be about 2.5 per cent. In addition, fiscal policy is having an expansionary effect on the Norwegian economy this year as a result of reduced tax rates. In the Final Budget Bill for 2015, the Ministry of Finance estimates that the structural, non-oil budget deficit (SNOBD) as a share of trend mainland GDP increases by half a percentage point. This is approximately as previously estimated in the National Budget for 2016 (NB 2016). SNOBD as a share of the capital in the Government Pension Fund Global at the beginning of 2015 is 2.6 per cent. This, too, is consistent with the estimate in NB 2016.

The fiscal policy programme for 2016 was recently completed after the Government reached agreement with the two coalition parties in the Storting. We base our projections on the agreement between the four parties as well as NB 2016 and the Supplementary Proposition in November. In NB 2016, the Government projected that growth in general government consumption would be 2.7 per cent next year, which is on a par with growth in 2015. As a result of the increased expense associated with receiving the flow of asylum-seekers to Norway, the Government proposed in November to increase gross allocations by NOK

9.5 billion next year, largely for consumption purposes. This corresponds to an increase of 1.3 per cent. However, some of the increase in spending will be covered by spending cuts in both consumption and gross general government investment of just over NOK 2 billion. The proposed tax cuts for personal taxpayers were reduced by just under NOK 2 billion, bringing proposed tax relief (accrued) to a total of NOK 7 billion in 2016 compared with NOK 9 billion in NB 2016. The largest contribution to covering the shortfall was a proposed cut in the aid budget of just over NOK 4 billion. The budget changes were balanced by means of an increase in the structural, non-oil budget deficit of just over NOK 1 billion.

In the budget agreement with the coalition partners, a number of changes were made within roughly the same budget frame. First, direct personal taxes were reduced by just over NOK 1 billion, so that reductions in accrued direct taxes amount to approximately NOK 8 billion. This weakening of the budget was countered by increased indirect taxes on electricity and air travel amounting to a total of NOK 2 billion (accrued). Total tax relief in 2016 will then be just under NOK 6 billion, of which some NOK 5 billion will accrue to companies as a result of the reduction from 27 per cent to 25 per cent in the tax rate on ordinary income. Over half of the proposed cut in aid was reversed and covered by inter alia increased dividends from state limited companies in the Storting budget agreement. A number of adjustments and shuffling of investment and operating expenses are also being made that have little impact on the macroeconomic effects of fiscal policy.

We are now assuming growth in gross public sector investment of just under 4 per cent next year, while general government consumption growth is being revised upwards to 3.5 per cent. The uncertainty in the consumption forecast is, reasonably enough, greater than normal, since it is conditioned on a projection for the number of asylum-recipients who come to Norway in 2015 and 2016. When we add in real growth in household transfers next year of about 2.5 per cent, real growth in consumption, investment and transfers combined will be just over 3 per cent next year. Given lower taxes, fiscal policy will then be even more expansionary in 2016 than in 2015, and SNOBD as a share of trend GDP will increase more in 2016 than in 2015.

No budget has been adopted for 2017 and 2018, but NB 2016 nonetheless contains macroeconomic projections for general government consumption and gross investment that provide grounds for the projections. These projections are admittedly from the time before the inflow of asylum-seekers to Norway increased markedly, and there is reason to assume that higher costs associated with asylum-seekers will accrue in both 2017 and 2018. Even if the number of asylum-seekers should fall from the level in November, when about 9 000 arrived, to a level of less than 3 000 per month, which is the cost estimate on which the Supplementary Proposition

Box 1. The increase in the number of asylum-seekers and the Norwegian economy in 2015-2018

Around 11 000 asylum-seekers came to Norway in 2014, marginally fewer than in 2013. Only 4 600 asylum-seekers came in the first half of 2015. Numbers increased sharply in the second half of the year, and particularly in October and November. We regard last year's level, with about 9 000 being allowed to stay, as the norm. This rough figure was the assumption used for the National Budget 2016 and in the medium scenario in Statistics Norway's population projections from summer 2014. In this box, we study the deviation from this assumed flow of asylum-seekers.

There are three aspects which have clear consequences for our macroeconomic projections:

- The number of asylum-seekers and changes in the population
- The costs associated with asylum-seekers
- Financing these costs

Asylum-seekers and the population

We base our figures largely on information from and assumptions made in the Government's Supplementary Proposition associated with the increased arrivals of refugees. We assume that the peak of the flow of asylum-seekers has passed, and that the total number in 2015 will be 33 000, with almost 25 000 arriving in the fourth quarter. We use the government estimate of 33 000 as a basis for 2016, which implies that the weekly number of asylum-seekers will fall somewhat from the level in the last week of November. In 2017 and 2018 we have assumed that the annual flow of asylum-seekers will be reduced to 22 000 persons. It is also assumed that 16 per cent of the asylum-seekers are minors.

We also have to make assumptions about how many of them will be granted asylum, and when this will happen. For the sake of simplicity, we assume that all those who are granted asylum will be settled in the fifth quarter after their arrival in Norway. This means that the first quarter of 2017 will be the first period during which the population is affected by the «extra» asylum-seekers. We also make the following assumptions: Five per cent of asylum-seekers excluding unaccompanied minors will be rejected in the course

of the quarter following their arrival in Norway, 37 per cent will be rejected in the fifth quarter after arrival, while the remaining 58 per cent will be settled and become part of the population. We make similar assumptions for the group of unaccompanied minor asylum-seekers, but assume here that 68 per cent will be settled. Finally, we assume that the extra immigration does not imply any extra family reunification within our forecast horizon.

Given these assumptions, by the end of 2017 the population will have increased by a total of 23 200 persons as a result of this extra inflow. This will add an annualised 18 400 persons to population growth, which will increase population growth in 2017 by 0.3 percentage points. In 2018, the population will grow by a further 10 200 persons as an annual average, thereby raising population growth by 0.2 percentage points.

Costs

The budgetary consequences of the extra immigration are related in the short term to processing of applications for asylum and the costs of accommodation, food etc. The assumptions here, too, are based largely on the Government's projections. The cost per asylum-seeker who is not an unaccompanied minor is estimated at NOK 41 500 per quarter. Costs per unaccompanied minor asylum-seeker above and under the age of 15 are estimated to be respectively three and 12 times as high, however. The increased expenditure attributable to this extra flow of asylum-seekers will thus be NOK 2 billion in 2015 and NOK 9.5 billion in 2016. As a result of the marked decline in the assumed number of asylum-seekers in the near term, the costs associated with the increased flow of refugees will be reduced by about 45 per cent from 2016 to 2017, and by a further 30 per cent to 2018. For the sake of simplicity, we assume that all these costs are public consumption.

There will also be costs associated with the asylum-seekers after they have been settled. We assume that none of the settled asylum-seekers will offer their labour within our time horizon. We therefore assume that the costs per settled

Table 1. Changes as a result of the extra inflow of asylum-seekers

	2015	2016	2017	2018
Asylum-seekers and the population (persons)				
Extra inflow of asylum-seekers	22 000	22 000	11 000	11 000
Extra numbers of asylum-seekers, annual average	5 500	35 400	19 200	13 200
Extra inflow to the population through the year			23 200	7 700
Extra population, annual average			18 400	28 600
Costs (in millions of 2016-NOK and percentage points)				
Total extra costs	2 000	9 500	12 000	14 200
Extra costs, public consumption	2 000	9 500	8 600	8 900
Extra costs, transfers			3 400	5 300
Contribution to growth in public consumption	0.3	1.0	-0.1	0.0
Contribution to growth in real transfers to households			0.7	0.4
Financing (in millions of 2016-NOK)				
Reduced public consumption		475	600	710
Reduced public investment		475	600	710
Increased taxes on energy products		2 375	3 000	3 550
Increased spending of petroleum revenue etc.		6 175	7 800	9 230



person are higher than for asylum-seekers, and that they will be around 50 per cent higher than the estimates given above. These costs will thus accrue from the first quarter of 2017. We assume that half of the costs are public consumption, while the other half will be classified as public transfers to households.

These underlying assumptions imply that the costs associated with the increased flow of refugees will be reduced after 2016, while the costs of the newly settled will increase – also from 2017 to 2018. The total increase in expenditure will be NOK 9.5 billion in 2016, and will increase by around 20 per cent in each subsequent year. Overall, the extra inflow will raise growth in public consumption by 0.3 percentage point in 2015 and by 1.0 percentage point in 2016. Growth in public transfers to households will in turn increase by 0.7 percentage point in 2017 and by 0.4 percentage point in 2018.

Financing

It is difficult to say how the extra costs will be financed. It is easy to see what the Government originally proposed for 2016, but the final budgetary decisions in the Storting will also contain changes to the Government's proposals for other reasons. In order to be able to calculate the consequences of the increased inflow of asylum-seekers, we must therefore make further assumptions. We assume that the costs associated with the increased inflow will be financed in the following way in the years 2016 to 2018: 25% will be covered through increased taxes on energy products, 5 per cent through reduced public sector investment and 5 per cent through cuts in other public consumption. The remaining 65 per cent will be funded through increased use of petroleum revenue, reduced transfers to other countries, and increased dividends from state-owned companies, that we assume will have no real economic significance within our time horizon.

Implications for the Norwegian economy

We use the KVARTS model to calculate the quantitative impact on the Norwegian economy. This is done by comparing our projection scenario with a counterfactual scenario

is based, housing the increasing asylum-seeker group will be costly in 2017; see Box 1. Past experience, with the return of at least every third asylum-seeker, indicates that the number of asylum-seekers who are not sent home will steadily increase in the period ahead. We have assumed that growth in general government consumption will be over 2 per cent in both 2017 and 2018. This means that other areas may receive stricter budgetary treatment in these two years than is the case in the 2016 budget. With regard to gross general government investment, 2017 is the first year in which six new fighter aircraft are being purchased, and this is reflected in the increase in investment, but there are also plans for a further increase in investment in civil infrastructure.

We now assume that the Government will continue the Scheel Committee's proposal of lower tax on ordinary income by reducing the tax rate from 25 to 23 per cent in 2017. Such a reduction will be counteracted by adjustment of the tax system for taxpayers required to pay advance tax, such that only mainland enterprises are affected. The loss of revenue due to such a change

Table 2. **Effects of extra inflow of asylum-seekers. Percentage deviation from the counterfactual scenario unless otherwise indicated**

	2015	2016	2017	2018
Mainland GDP	0.06	0.24	0.24	0.29
Consumption by households etc.	0.01	0.01	0.14	0.28
Real disposable income	0.02	0.02	0.25	0.37
Annual wages	0.00	0.06	0.12	0.17
Employment	0.01	0.05	0.10	0.13
Unemployment (level)	-0.01	-0.03	-0.05	-0.06
CPI	0.00	0.11	0.15	0.19
Import-weighted krone exchange rate	0.01	0.11	0.05	-0.01
3-month interest rate in euro area (level)	0.00	0.00	0.02	0.04
Memo:				
Public consumption	0.26	1.16	1.00	0.99

without the extra asylum-seekers. In this counterfactual scenario, we then reverse all the estimated implications of the increased inflow.

Table 2 shows the difference between the two projection scenarios for some key macroeconomic aggregates. Our calculations indicate that the extra inflow will raise mainland GDP by 0.06 percentage point in 2015, and by just on 0.3 percentage point during the remainder of the projection period. Total household consumption will also increase, but by relatively less than mainland GDP. Moreover, employment will increase as a result of the increased activity, while the unemployment rate will fall by slightly under 0.1 percentage point towards the end of the projection scenario. Consumer price inflation measured by the CPI will be slightly higher, with the result that the interest rate level will increase marginally compared with that in the counterfactual scenario. This in turn will cause the krone to strengthen somewhat.

On balance, the calculations indicate that the extra inflow of asylum-seekers will have an expansionary effect on the Norwegian economy within our time horizon. The impact must nonetheless be described as relatively modest.

can be estimated at close to NOK 6 billion in 2017. The budget agreement for 2016 contains plans for increased environmental charges in the near term. We have therefore chosen to increase fuel taxes in 2017, so that the revenue effect is NOK 3 billion and that a similar increase occurs in 2018. This adds about 0.2 percentage point to CPI inflation both years. We assume an easing of personal tax of about NOK 4 billion in 2017 so that total tax relief will be in the region of NOK 6–7 billion in 2017. For 2018 we have no made assumptions about tax changes other than the increase in environmental tax, and we therefore expect a moderate tax increase in 2018.

We have assumed that growth in household transfers will increase a little in real terms in 2017 and 2018 as a result of settling of asylum-seekers. Since the basic amount in the National Insurance System is wage-indexed, this implies a weak real rise in social insurance per capita in the years ahead. Many pensioners will experience a decrease in real terms in their pensions in 2016 as a result of high inflation. In 2017 and subsequently we expect the inflation rate to ease somewhat,

and the real per capita value of transfers will then be maintained. However, since the number of pensions increases as a result of the incipient aging population, total transfers will still increase a good deal in these years.

Record low interest rates down even further?

In September, Norges Bank lowered the key rate to a record low 0.75 per cent. The key rate has thus been lowered by a total of 0.75 percentage point since December 2014. Following the latest reduction in interest rates, banks get a negative deposit rate on deposits in excess of their individual quotas in Norges Bank.

The money market rate has not been lowered as much as the key rate in the past year. In the months before the reduction in interest rates in December last year, the money market rate was about 1.7 per cent. The money market rate is down to 1.2 per cent, following the three interest rate reductions. The latest reduction in particular has not been reflected in a lower money market rate.

The average interest rate from banks and credit institutions on home equity lines of credit declined by about 0.3 percentage point to 2.95 per cent from the end of the second quarter to the end of the third quarter. This decline is a result of the reduction in the key rate in June, with an associated decline in the money market rate. Many banks have also issued notice of further interest rate cuts following the latest reduction in the key rate, but they will not be made until the fourth quarter.

Banks' average deposit rate declined in the third quarter by about 0.3 percentage point to 1.19 per cent. The lending margin is thus about the same at the end of the third quarter as in the previous quarter.

Through its published interest rate scenario in connection with the interest rate reduction in September, Norges Bank signalled that a further reduction in interest rates is more likely than no cut in the key rate. Futures contracts in the fixed income market have also priced in a decline in money market rates in the near term. We assume a further reduction in the key rate of 0.25 percentage point and that money market rates will drop to 0.8 per cent in the second quarter of 2016. The interest rate reduction will be a result of low growth and relatively high unemployment. In October, inflation measured by the 12-month rise in the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) was 3.0 per cent, but we expect it to decline to close to the inflation target of 2.5 per cent in the second quarter of next year when the effects of the depreciation of the krone have been reduced.

Both the key rate and the money market rate are assumed to remain unchanged from the second quarter of next year until the money market rate is increased in 2018 as a result of prospects of higher growth and

Figure 3. Interest rate and inflation differential between NOK and the euro. Percentage points

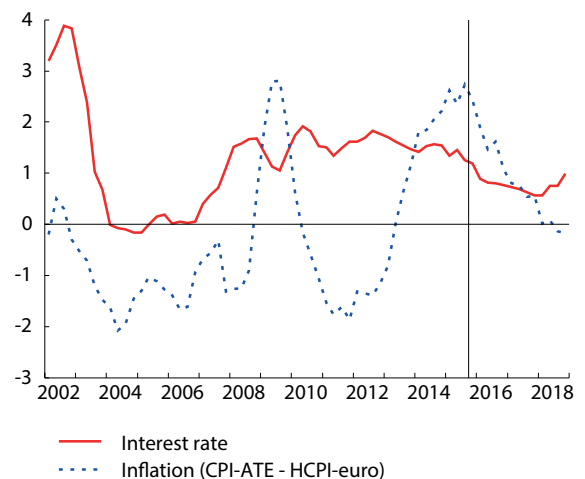


Figure 4. Norwegian interest rates. Per cent

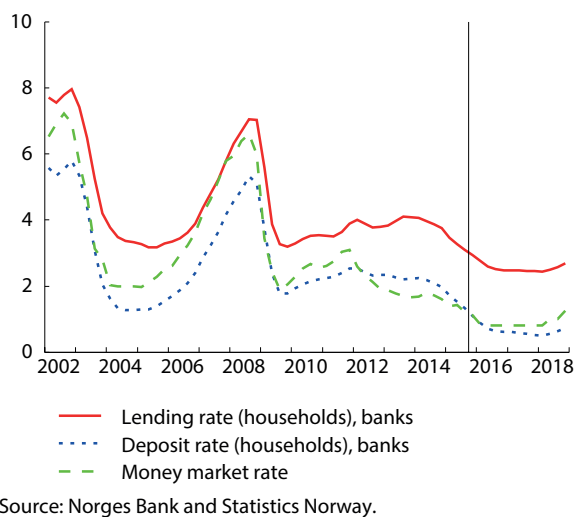
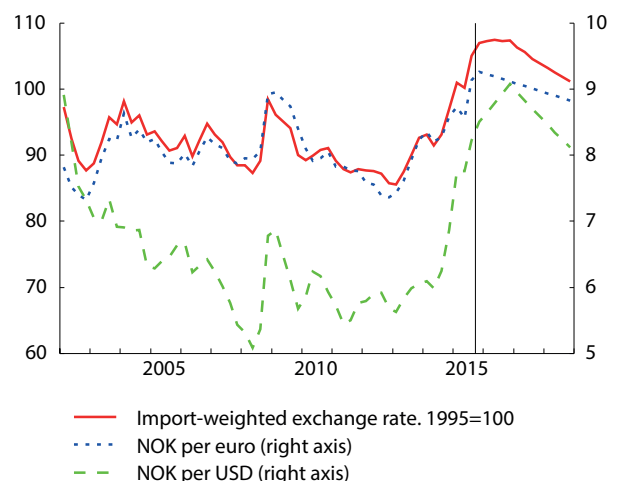


Figure 5. Exchange rates



lower unemployment. Our projections show that the money market rate will be 1.25 per cent at the end of 2018. The average interest rate on credit loans will be close to 2.5 per cent from the third quarter of 2016 and for two years ahead, before it rises slightly.

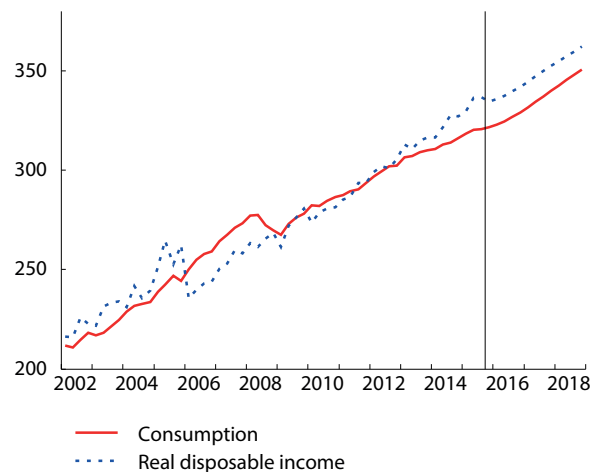
The krone has generally depreciated since early 2013, particularly in relation to the dollar. At the beginning of 2013, USD 1 cost NOK 5.50. This year the dollar exchange rate has risen from about 7.50 at the beginning of the year to 8.70 at the beginning of December. We believe that the depreciation of the krone has been greater than the economic fundamentals would imply, such that the krone is likely to appreciate slightly in the longer term. We believe that the krone will appreciate against the euro throughout the projection period, from an exchange rate of 9.20 at the beginning of December to close to 8.80 at the end of 2018. However, our calculations are based on the dollar appreciating further against other currencies through 2016. Measured against the import-weighted krone exchange rate, the krone will remain virtually unchanged through 2016, before gradually appreciating. As an annual average, this implies a depreciation of almost 4 per cent in 2016, an appreciation of 2 per cent in 2017, and a further appreciation of 3 per cent in 2018.

Moderate consumption growth

According to QNA figures, consumption in households and non-profit organisations was virtually unchanged in the third quarter, following moderate growth last year and in the first two quarters of this year. Goods consumption dipped 0.6 per cent following strong growth the previous quarter. The chief contributory factor was fewer purchases of vehicles, but there was also a sharp decline in other durable consumer goods like furniture and white goods. Service consumption increased, however, by a full 0.9 per cent, or around an annualised 3.5 per cent. This growth is about the same as in the previous quarters. Following several years of strong growth in household consumption abroad, growth levelled off last year. Growth also moved on a weak trend in the second and third quarters of this year. The depreciation of the krone, which has made it relatively more expensive to shop abroad, has curbed household consumption in other countries.

Developments in consumption are largely determined by movements in household income, wealth and interest rates. Real disposable income rose by 2.9 per cent in 2014. Wage income, which is by far the most important source of household income, made a solid contribution to income growth last year, also when income tax

Figure 6. **Income and consumption in households. Seasonally adjusted, billion 2013–kr., quarterly**



Source: Statistics Norway.

is deducted. Higher public transfers, mainly as a result of increased disbursements of pensions and sickness benefit, were relatively large factors in income growth last year. However, net interest income did not make a contribution of any significance to growth.

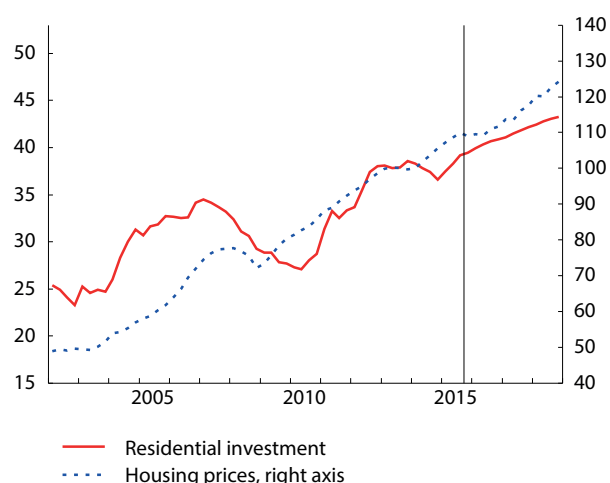
According to quarterly institutional sector accounts, household real disposable income declined by about one per cent in the third quarter, following strong growth through the first and second quarters. Like last year, the contributions to growth from wage income and public transfers were relatively large through the first three quarters of this year. Some of the increase in public transfers is admittedly intended to offset the effects of new rules for taxation of National Insurance disability benefit. We expect public transfers to continue to make clear contributions to growth in real disposable income through the whole projection period. Wage income will move on a fairly weak trend in the near term due to relatively low annual wage growth. Fairly modest employment growth will also restrain wage income. However, tax relief will contribute positively to developments in real disposable income in 2016 and 2017. Net interest income will make an appreciable contribution to annualised income growth this year and next year as a result of a pronounced decline in lending rates. Higher inflation this year and next will curb real income growth, however, while lower inflation in the last two years of the projection period will be reflected in higher real income growth. We now expect annual growth in real disposable income of a bare 3.5 per cent this year, about 1.5 per cent next year and about 3 per cent in 2017 and 2018.

Table 4. **Household real disposable income. Percentage growth compared with previous year**

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total	2.3	4.1	4.4	3.8	2.9	3.3	1.5	3.1	2.8
Excluding share dividends	1.8	4.1	4.3	3.7	2.8	3.1	1.4	2.9	2.6

Source: Statistics Norway.

Figure 7. Residential market. Left axis adj. indices. 2013=100. Right axis per cent



Source: Statistics Norway.

Relatively weak movements in real house prices, with a slight decline in 2016, will result in somewhat lower growth impulses to consumption than in 2015. At the same time, a decline next year in real interest rates after tax will in isolation have the effect of stimulating consumption with a time lag, while a corresponding increase the following year will dampen consumption. All in all, we now expect consumption growth of a bare 2.5 per cent this year, about 1.5 per cent next year and just over 3 per cent in both 2017 and 2018. These consumption developments are far weaker than during the cyclical upturn before the 2008 financial crisis, when consumption rose by close to 5.5 per cent at the most.

Household saving in the form of financial and housing investment, calculated as a share of disposable income, has risen from a level of just over 3.5 per cent in 2008 to almost 9 per cent in 2014, and further to just over 10 per cent so far this year. We now assume that the savings ratio will remain high in the near term, but gradually decline to 9 per cent in 2018, in pace with developments in income and consumption.

House prices will gather pace in 2017

Seasonally adjusted house prices rose by 1.2 per cent from the second to the third quarter of this year, and were 6.1 per cent higher than in the third quarter of last year, according to Statistics Norway's house price index. Given unchanged seasonally adjusted house prices through the remainder of the year, the rise in house prices from 2014 to 2015 will be close to 6 per cent. Prices have risen for seven consecutive quarters, but the rate is slowing. The monthly house price statistics from Norsk Eiendom (the Norwegian Property Federation) show similar developments through 2015. House prices were unchanged compared with August, when September and October are seen as a whole and account is taken of normal seasonal variation. Underlying the figures for the country as a whole are large regional differences in house price developments, with a sharp rise in prices in Oslo and a fall in Stavanger. However,

the tendency of a slowing rise in prices applies to all regions.

House prices and household debt mutually influence each other. Following a fall in lending rates through 2014 and especially in 2015, households are facing clearly lower real interest rates. This stimulates lending. Household gross domestic debt is growing, both nominally and in real terms. The 12-month rise in the C2 household credit indicator, which had been just under 6.5 per cent since June, fell to 6.2 per cent in October.

In the short-term, house prices are affected by changes in household expectations regarding developments in both their own financial situation and the national economy. The consumer confidence indicator from TNS Gallup and Finance Norway has fallen for five consecutive quarters, and the decline was particularly pronounced in November this year. The indicator value is now at its lowest since the banking crisis in the early 1990s, if we disregard the fourth quarter of 2008, when the financial crisis was in an acute phase. Coupled with a rise in gross household debt and lower income growth, these developments are consistent with a decline in house prices into 2016.

We assume that households will consider the economic outlook to be weak throughout 2016, and that only in 2017 will the confidence indicator begin to rise slowly until the end of our projection period, as growth in the Norwegian economy picks up. Household real disposable income will show low growth in 2016, but clearly higher growth in 2017 and 2018. Debt growth will decline slightly in real terms despite low real interest rates, and is estimated at just over 5.5 per cent in 2016. Debt growth will then remain between 6 and 6.5 per cent through the projection period. We expect this to yield a weak nominal decline in house prices during the first quarters, after adjustments for normal seasonal variation. As house prices have risen through 2015, this will result in an annual rise in house prices of just over 1.5 per cent in 2016. We then expect the rise in house prices to increase to close to 4.5 per cent in 2017 and about 5.5 per cent in 2018. When we adjust for inflation in the baseline scenario, this corresponds to a decline in real prices of over 1 per cent in 2016 and an average rise in real prices of over 3 per cent in 2017 and 2018.

In the QNA, housing investment was revised up in the first two quarters of the year. This, coupled with high growth in the third quarter, means that we now forecast volume growth at 3 per cent in 2015. Strong growth in rehabilitation of the existing housing stock, which constitutes about 30 per cent of total housing investment, will be a factor in this increase. Statistics Norway's building statistics show a clear increase in building start permits for residential buildings through 2015. Figures from the Norwegian Home Builders' Association support this picture. We have assumed that volume growth in 2016 will be almost 5 per cent. We

forecast that housing investment will remain at a high level, in pace with rising real house prices, during the last two years of the projection period, and that growth in housing investment will be about 3 per cent in both 2017 and 2018.

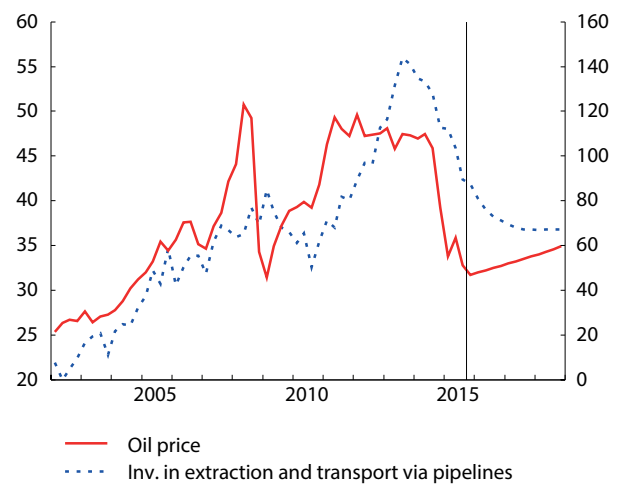
Sharp fall in petroleum investment

According to preliminary QNA figures, petroleum investment fell by a full 7.6 per cent from the second to the third quarter. This is a clearly sharper decline than in the preceding quarters. The QNA figures have been adjusted downwards, so that the investment level for the first and second quarters is now projected to be about 2 per cent lower than the last time the figures were published. Together with the decline in the third quarter, this reinforces the picture that demand from the petroleum sector is clearly decreasing. In the third quarter, the decline was greatest in exploration and production drilling, but there was a substantial decline in investment also in platforms and drilling rigs. Removal costs, which are also part of investments, showed a clear increase and helped raise investment.

The decline in petroleum investment is an important factor underlying the weak developments in the Norwegian economy during the past year. The importance of the petroleum industry can be illustrated by comparing this investment with developments in mainland GDP. We estimate that investment measured as a share of mainland GDP will decline from over 9 per cent in the second half of 2013 to about 7 per cent in the second half of 2015. However, the impact on the Norwegian economy of lower petroleum investment is less than the decline in investment would imply, as there is a high share of imports (see Box 2 in Economic Survey 3/2015). During the past ten years, the import share in this investment has been at a stable level of about 40 per cent. Improved Norwegian manufacturing capacity together with depreciation of the krone will improve competitiveness. This will allow Norwegian manufacturing to take market shares when new investment projects are announced, and will further curb the negative effects on the Norwegian activity level.

So far this year, investment in new fields in particular has fallen. This has taken place at the same time as several developments are approaching completion, and few new projects are beginning. Statistics Norway's survey of petroleum investment indicates a clear decline in overall investment in 2016. Weak developments in oil prices, together with fewer new commercial discoveries, have reduced the expected profitability of drilling operations. In line with the survey of petroleum investment, we expect less exploration drilling and lower investment in existing fields – which will lead to as large a fall in petroleum investment in 2016 as in 2015. The decline in investment from the peak in the second half of 2013 to the second half of 2018 is close to 40 per cent. An important element of uncertainty is the price movements for development and operation. The profitability of new fields will improve considerably

Figure 8. Petroleum investments and oil price in USD. Seasonally adjusted, billion 2012-kr., quarterly



Source: Statistics Norway.

if the petroleum companies manage to reduce development costs and also reduce operating costs, which have risen substantially during the past few years. As expectations regarding oil prices have sunk appreciably through 2014 and 2015, this process is key to further investment. Our projections are based on moderate cost reductions, so that there will be limited start-up of new field developments during the projection period.

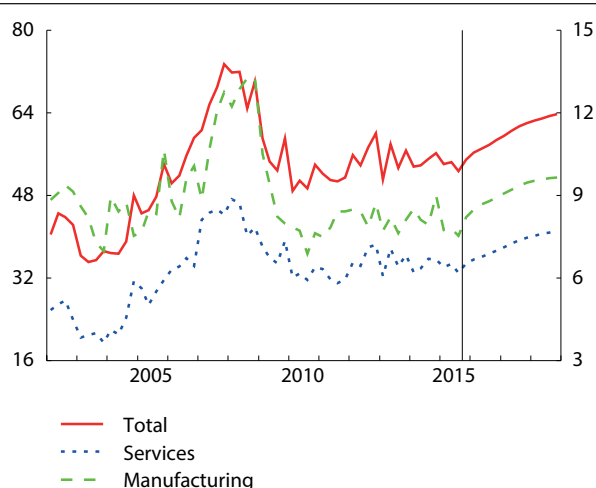
Extraction of petroleum and gas, measured in oil equivalent, increased by 12 per cent in the third quarter compared with the same quarter the previous year. The strong growth is mainly due to a 20 per cent increase in gas extraction, while petroleum extraction increased by 2.5 per cent. After many years of weak developments, we now expect virtually unchanged extraction of petroleum and gas, measured in oil equivalent, for the next few years.

Export prices for petroleum and gas declined slightly in the third quarter, as a result of a decline in the crude oil price. During the past few months, the crude oil price has been about USD 45 per barrel. We expect the price to gradually rise to USD 60 per barrel at the end of 2018. Further appreciation of the dollar in the short term will push slightly up export prices for petroleum and gas measured in NOK, before growth levels off as a result of the weakening of the dollar exchange rate in 2017 and 2018. Should oil prices rise more quickly, this is likely to help push up investment, especially in 2018. Several projects have been postponed or apparently shelved. This means that a rise in oil prices may quickly be reflected in increased investment.

Moderate increase in business investment

Mainland business investment decreased through this past year, after having been relatively stable for about two years. Investment was 6.1 per cent lower in the third quarter of 2015 compared with the fourth quarter

Figure 9. Investments. Mainland Norway. Seasonally adjusted, billion 2013-kr., quarterly



Source: Statistics Norway.

of 2014. Even though the last quarter also showed a decline, there are several signs that the weak trend will now change to a moderate rise.

Manufacturing investment declined by 3.3 per cent from the second to the third quarter of 2015, and the level was 16.3 per cent lower than in the fourth quarter of 2014. This is mainly due to lower investment in the past year in food, manufacture of metal goods, electrical equipment and machinery and in petroleum refinement, chemicals and pharmaceuticals. However, we see signs that investment picked up in the third quarter in food and petroleum refinement, chemicals and pharmaceuticals. Investment in market-oriented services in mainland Norway has also moved on a weak trend lately. This particularly applies to investment in professional, scientific and technical services, and transport. These figures are uncertain, as there are few short-term statistics for investment in services. One exception is investment in buildings, where building statistics are used as an indicator. Investment in the sector sale and management of real property, mainly in the form of commercial buildings, remained at the level of the last two years, also in the third quarter. Investment in other mainland goods production, which includes power supply, rose by 3.2 per cent.

Statistics Norway's latest survey of manufacturing companies' future investment intentions indicates that investment will remain virtually unchanged in 2015. Given a low registered investment level in the three first quarters, this implies a pronounced increase in investment in the fourth quarter. Manufacturing companies expect investment to pick up further next year, and indicate investment growth of 10 to 20 per cent in 2016 after adjustment for normal under-reporting. The survey indicates pronounced growth in export-oriented sectors like chemicals and pharmaceuticals, and the metals industry, mainly driven by Hydro and Yara's large individual projects at Karmøy and Herøya,

respectively. In power supply, the survey indicates growth of about 5 per cent in both 2015 and 2016, from already high levels. Previously, growth has mainly been in electricity transmission and distribution. Pronounced growth is now also expected in electricity production, largely in connection with the upgrading of old power stations.

Norges Bank's Regional Network charts economic developments in Norway by gathering information from enterprises and activities throughout the country. The reports from August indicated investment growth in the next 12 months in retail trade, while reduced investment is expected in other services.

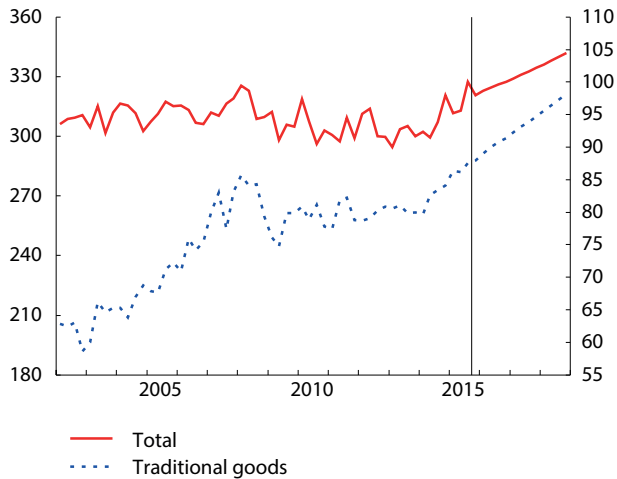
We expect developments so far this year, with business investment moving on a weak trend, to change into a moderate increase in the near term. Even assuming an increase at the end of the year, the average investment level in 2015 will still be somewhat lower than the level in 2014. An improved global economic situation and a weak krone exchange rate are likely to lead to increased investment in the period ahead, at least in sectors with few ties to the petroleum industry. We estimate growth in business investment of 3 to 7 per cent annually, starting in 2016 and through the projection period. Even given these developments, the investment level in mainland industries will be about 8 per cent lower in 2018 than the investment peak in 2008.

High growth in mainland exports

Seasonally adjusted QNA figures show strong growth in the volume of traditional goods exports for the past six quarters. Growth in the third quarter of this year was as much as 6.4 per cent, as an annual rate. Traditional goods exports have increased by almost 10 per cent since the first quarter of 2014. Exports of refined petroleum products have added a couple of percentage points to growth, but this varies substantially from quarter to quarter. Growth in traditional goods exports excluding refined petroleum products was positive in the second quarter and negative in the third quarter. Exports of fish and fish products, farmed fish and fish products all declined in the third quarter of this year. On the whole, this type of export was slightly higher during the first three quarters of the year than in the corresponding period last year. Growth in exports of engineering products has declined since the fourth quarter of 2014, becoming negative for the last two quarters. Following a decline during the last three quarters of last year, exports of metals increased during the first three quarters of this year.

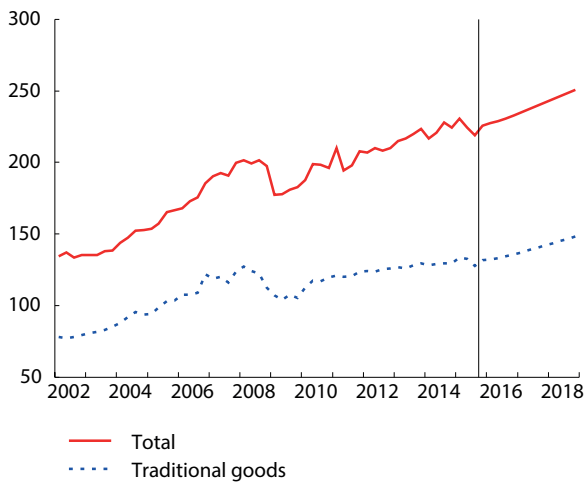
Exports of crude oil and natural gas have fluctuated considerably during the last few quarters. In the third quarter of this year, a large increase in volume led to gas exports measured in both current and constant prices being higher than petroleum exports. Exports of services increased in the second and third quarters of this year. Growth in the third quarter was broad-based, with a particularly pronounced increase in exports of

Figure 10. Exports. Seasonally adjusted, billion 2013-kr., quarter



Source: Statistics Norway.

Figure 11. Imports. Seasonally adjusted, billion 2013-kr., quarterly



Source: Statistics Norway.

services for petroleum and gas extraction and transport, and insurance services. Exports of services have increased markedly since the first quarter of 2013, with overall growth of almost 17 per cent.

The rise in prices for traditional goods exports was weak through last year, and the weak rise reversed into a decline this year. The prices of petroleum products and other goods that are priced on international markets have dropped, but the depreciation of the krone has curbed or counteracted the decline in international prices when they are converted into Norwegian kroner. The increase in prices for traditional goods excluding refined petroleum products has been positive this year. Export prices for crude oil and natural gas have moved in opposite directions for the past four quarters, for while oil prices have declined, gas prices have risen. Developments in prices of service exports have been weak this year, and declined in the second and third quarters. Pronounced growth in non-residents' consumption in Norway in the second and third quarters of

this year is likely a direct reflection of the improvement in cost-competitiveness partly attributable to developments in the exchange rate.

Growth through last year and three quarters into 2015 has brought the level of traditional goods exports to just over 5 per cent above last year's average. The depreciation of the krone has probably stimulated exports of services even more than exports of traditional goods. Mainland exports are also expected to receive positive impulses from assumed weakly increasing growth in Norwegian export markets, but we foresee reduced exports from sub-suppliers of engineering products when construction of Norwegian platforms in South Korea comes to an end. Growth during the projection period is expected to be lower than global market growth, despite an improvement in cost-competitiveness this year and next. This implies a continued loss of market shares. Exports of oil and gas will primarily be determined by production, and total oil and gas exports are not expected to change much during the projection period.

The volume of traditional goods imports showed little growth through 2013 and 2014, and a reduction in the second and third quarters this year has brought the volume back to the level of the first quarter of 2013. Metals, engineering products and food and beverages pushed imports down in both quarters, while imports of cars rose for the fourth consecutive quarter. One fighter aircraft worth just over NOK 1 billion was imported in the third quarter. Following a decline in the second quarter, imports of services increased in the third quarter, including Norwegians' consumption abroad and petroleum-related services. The depreciation of the krone has made a major contribution to the rise in import prices during the past year, but prices for traditional goods and service imports nevertheless declined slightly during the second and third quarters of this year.

Weak growth in domestic demand will curb growth in imports this year and a time-lagged effect of the depreciation of the krone will brake growth also next year. Imports of fighter aircraft and an expected appreciation of the krone will stimulate import growth later in the projection period.

The trade surplus was sharply reduced in 2013 and 2014, when growth in the volume and price of total imports was higher than for total exports. A further decline is likely this year and next year as well, due to lower oil prices this year and terms of trade losses and net imports next year again. The trade surplus is not expected to increase again until 2017 and 2018, as a result of an assumed slightly higher oil price and a stronger rise in export prices than in import prices. An increasing net factor income and transfers surplus is also expected to lead to the current account surplus as a share of GDP remaining at 7–8 per cent during the projection period.

Weak cyclical upturn ahead

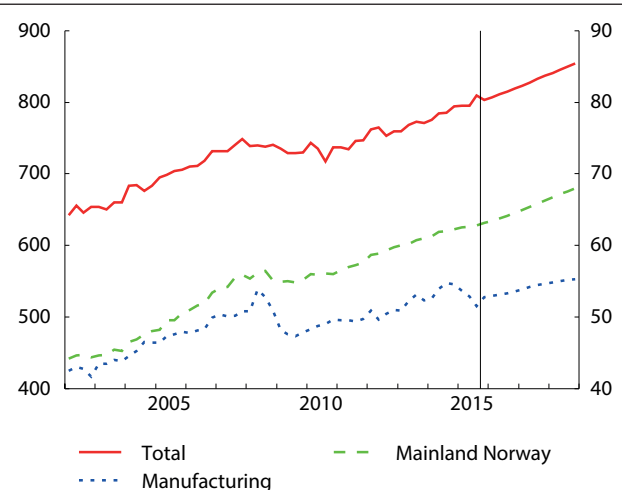
Mainland GDP rose by an annualised 1.0 per cent from the second to the third quarter this year. Overall GDP rose by a full 7.3 per cent, as a result of an increase in gas production. However, it is mainland GDP that provides the best picture of the outlook for the domestic economy, and the tendency here is weak. Third-quarter growth was below trend growth – estimated at about 2¼ per cent – for the fifth consecutive quarter. Mainland GDP in the third quarter of 2015 was only 1.4 per cent above the level of the second quarter of 2014. Developments in manufacturing output, particularly in the petroleum-related sectors, continue to make a negative contribution, which is countered by goods production excluding manufacturing.

Value added in manufacturing fell for the fourth consecutive quarter, and the level is now almost 6 per cent lower than it was at the same time last year. In general, the decline is in the manufacturing segments that directly supply the petroleum sector. For example, value added in the shipbuilding and transport equipment industry has fallen by a good 22 per cent this past year. There has also been a substantial decline in the production of metal goods and machinery. On the other hand, export-oriented manufacturing is benefiting from improved cost-competitiveness as a result of a weaker krone exchange rate and low wage growth. This particularly appears to apply to commodity-based manufacturing, which has risen overall for the last three quarters.

Goods-producing industries excluding manufacturing and mining are experiencing solid growth. This is largely a result of developments in construction, where value added rose by about 3 per cent from the second to the third quarter after solid growth also in the first two quarters of this year. Value added for this industry has thus increased by about 8.5 per cent since the end of 2014. Low interest rates are prompting increased demand for homes and other capital assets, and are probably an important driver of the increase so far this year. Increased public investment also makes a positive contribution. The total value added in the primary industries declined slightly in the third quarter, following strong growth in the second quarter. The same applies to power supply, also following a considerable increase earlier this year.

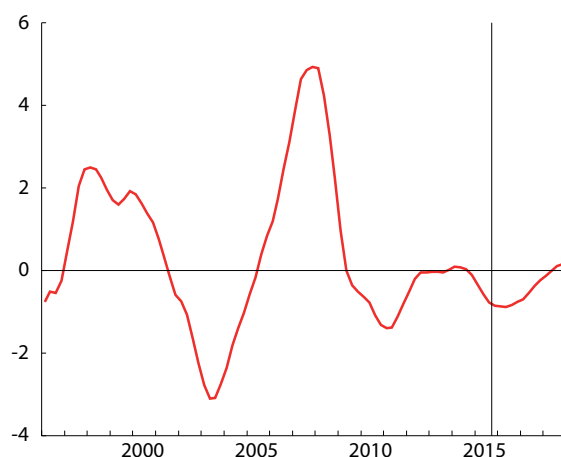
Value added in service industries other than general government increased by 0.3 per cent from the second to the third quarter. Hotels and restaurants reported relatively strong growth. The weak krone has brought more foreign tourists to Norway, but also led to Norwegians holidaying in Norway to a greater extent than before. Banking and insurance services also showed solid growth in the third quarter. On the other hand, the decline continued for service industries that deliver to the petroleum sector, while value added in general government only rose by 0.2 per cent from the second to the third quarter, or barely 0.9 per cent as

Figure 12. **Gross domestic product. Seasonally adjusted , billion 2013-kr., quarterly**



Source: Statistics Norway.

Figure 13. **Output gap. Mainland Norway. Deviation from trend. Per cent**



Source: Statistics Norway.

an annual rate. This is clearly lower than growth in the previous quarters and thus clearly lower than presumed trend mainland GDP growth.

Our forecasts assume a continued decline in demand from the petroleum sector. This substantially curbs the general activity level of the economy, and particularly weakens developments in manufacturing segments that make extensive deliveries to the petroleum sector. We thus assume that manufacturing will move on a weak trend through the rest of the year, and then pick up in the first half of next year. The negative developments in the shipbuilding and transport equipment industry are likely to become more moderate in 2016, and we expect relatively good growth in power-intensive manufacturing. Time-lagged effects of the improved cost-competitiveness will contribute to the upswing, as will increased international demand. We estimate that activity growth will also pick up in other mainland industries from next year, partly driven by increased housing and business investment. Construction will

thus make a major contribution to growth in the Norwegian economy also in the years ahead, although its contribution may decline towards the end of the projection period. Growth in general government demand will also be high, and may be appreciably higher than growth in the rest of the economy.

Overall, this will yield relatively positive developments in the activity of many mainland industries through next year and until the end of the projection period. We forecast that growth in mainland GDP will rise to slightly higher than trend growth from the second half of 2016. Although we expect growth to pick up, and the change to take place relatively quickly, the projections indicate a very weak cyclical upturn.

Rising unemployment

Unemployment rose moderately by 0.2 per cent from the second to the third quarter of this year. Growth in several manufacturing segments and in construction made a positive contribution. Employment in fishing and aquaculture rose by a full 4 per cent compared with the previous quarter. Employment growth is now slightly lower than the average annual growth of just over one per cent in 2013 and 2014. Employment as a share of the working age population was virtually unchanged from the second quarter to the third quarter.

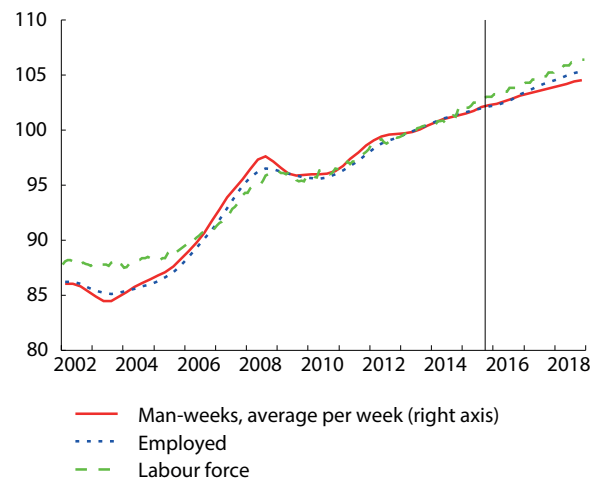
The employment pattern during the past year differs from developments in recent years. For a long time there was particularly strong employment growth in services associated with extraction of crude oil and natural gas. During the past year, employment in this sector has fallen, and the decrease from the second to the third quarter was 4.1 per cent. The decline in employment in the resource extraction sector was 3 per cent. Employment in manufacturing segments that primarily supply the petroleum sector, like shipbuilding and transport equipment and repair and installation of machinery and equipment, has also declined this past year. Overall, employment in manufacturing has declined by 0.7 per cent since the second quarter of this year.

Unemployment in construction rose by 0.9 per cent from the second to the third quarter of this year. Growth in construction has been stable through the past 3–4 years. Employment in central and local government also increased by 0.2 per cent and 0.3 per cent, respectively. For the past few years, central government employment has risen more than local government employment, but this year the trend has reversed.

The working age population has risen by 26 000 persons up to September this year. By way of comparison, the increase was 34 000 from January to September last year.

The labour force as a percentage of the working age population rose by a bare 0.1 per cent in the third quarter. Since 2013 there has been a steady, strong increase

Figure 14. Labour force, employment and number of man-hours. Seasonally adjusted and smoothed indices. 2013=100



Source: Statistics Norway.

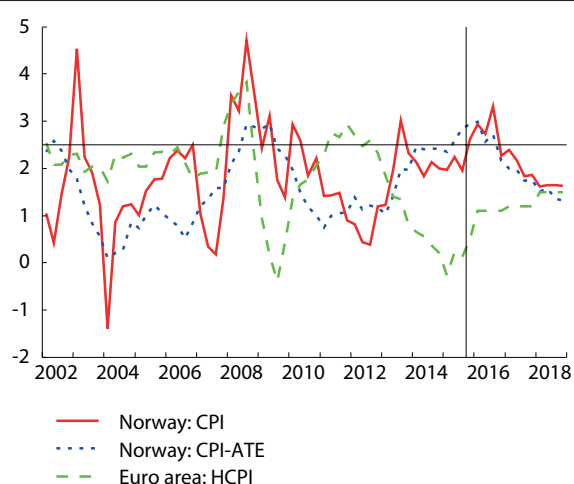
in the labour force participation rate among people aged 55 to 66. The population, and thus to some extent also the labour force, is influenced by immigration and emigration from Norway. In the third quarter, about 11 100 persons emigrated, which is 2 900 more than in the same quarter last year. Swedish and Polish nationals are by far the largest group of foreign nationals that immigrated and emigrated. Immigration was lower in the third quarter 2015 than in the third quarter of last year. About 20 500 persons moved to Norway from abroad in the third quarter.

The relatively moderate employment growth, combined with a relatively large increase in the labour force, led to a rise in unemployment in the third quarter of this year. The latest figures from Statistics Norway's Labour Force Survey (LFS) show that the average unemployment rate in the period August to October was 4.6 per cent.

Statistics from NAV show approximately unchanged unemployment through 2014, while it has risen steadily so far this year. In November, about 100 000 persons were either on labour market programmes or registered as unemployed. So far this year, unemployment has risen for almost all occupational groups, but the greatest percentage increase in unemployment is in engineering and ICT. The number of registered unemployed increased most in counties with close ties to the petroleum sector, while the number declined in other counties. In November, the number of unemployed decreased most in Hedmark county, by 12 per cent compared with the same time last year. There was net outward migration from Rogaland, Nordland and Finnmark counties in the third quarter. The counties with the highest inward migration, relative to the population, are the three northernmost counties, Sogn og Fjordane, and Møre og Romsdal.

The somewhat slacker labour market is also reflected in fewer positions being advertised than in the past.

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



Source: Statistics Norway.

Statistics Norway's figures for the share of vacancies compared with the total number of positions has declined by about 0.3 percentage point from the third quarter of last year to the third quarter of this year. This decline can be considered an indication that the job prospects of the unemployed have worsened during the past year. There is a decline in almost all industries, but it is greatest in business services. This industry includes temporary employment agencies, which rent out labour to other industries. The decrease may indicate that the need for labour is declining also in industries that have reported stable developments.

Growth in the number of man-hours worked is slightly weaker than employment growth so far this year. The number of man-hours worked normally increases more than employment during a cyclical upturn and decreases correspondingly during a cyclical downturn. In sectors associated with petroleum activities, however, the fall in employment is greater than the fall in man-hours, so that the average man-hours worked per employee increases. We project that employment will increase modestly this year and next year, before growth picks up somewhat in 2017. This must be seen in the context of the general economic situation. Higher domestic demand will increase employment in construction and in retail trade in the period to 2017. Manufacturing is characterised by negative impulses from the petroleum sector, and despite high growth in export markets and improve cost-competitiveness, employment in manufacturing as a whole will decline. Moderate, stable employment growth is expected in the public sector through the projection period, with strongest growth in municipal service production.

The international economic situation and a somewhat slacker labour market in Norway will reduce inward labour migration in the near term. We nevertheless expect positive net immigration. The labour supply among workers aged 67 to 74 is assumed to increase in the near term. On balance we expect the labour force

to grow faster than employment in 2015 and 2016. Unemployment is thus expected to peak in 2016. We project that the annual average for unemployment will be about 4.6 per cent next year. The unemployment rate is then expected to decline in pace with increasing activity in the Norwegian economy.

Low wage growth in the near term

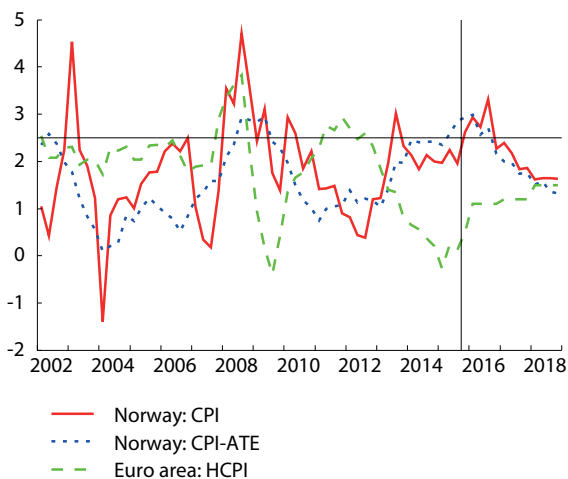
Annual wage growth in 2014 of 3.1 per cent was the lowest nominal wage growth for 20 years, and real wage growth was just over one per cent. National accounts figures for 2014 show that annual wage growth in manufacturing was also 3.1 per cent. This was very close to the projected ceiling of the collective wage bargaining settlement. Developments in other industries show that the wage leader was generally followed, and that there were very small differences in wage growth between the industries in 2014. Higher unemployment through the second half of last year, particularly in occupations related to the petroleum sector, has probably pushed down growth in average wages for the whole economy.

In manufacturing, the wage carry-over into 2015 is a little lower than last year. According to the social partners, the manufacturing wage settlement has a ceiling of 2.7 per cent. This year's wage settlement indicates that annual wage growth for manufacturing workers will be even lower in 2015 than in 2014. Technical administrative personnel generally have local wage negotiations, and greater uncertainty is thus associated with developments for this group. We expect higher unemployment to exert downward pressure on wage drift this year as well. In industries other than manufacturing, the wage carry-overs into 2015 are small and the results of several of the wage settlements are also moderate. The central government has the same ceiling as manufacturing at 3.2 per cent, while it is somewhat higher in local government. In retail trade, the partners have agreed to keep approximately the same negotiated increases as last year.

So far this year the wage statistics show very moderate wage growth. However, there is slightly greater uncertainty associated with data collection this year due to the transition to a new electronic system for companies' wage reporting (EDAG). For exposed industries like petroleum and gas extraction and manufacturing, the wage statistics show slightly lower wage growth from the second to the third quarter this year compared with the same period last year. Wage growth in retail trade and hotels and restaurants is slightly higher.

Growth in average annual wages is influenced by structural changes due to, for example, reduced employment. Cutbacks largely impact employees with short seniority and low salaries, so that growth in average annual wages in 2015 may be somewhat higher than the collective bargaining settlements in isolation might indicate. This effect is countered by compositional changes of employment in the industries. The cutbacks

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



Source: Statistics Norway.

in the petroleum sector impact persons with a high wage level and this pushes down growth in annual salaries.

We estimate annual wage growth in 2015 to be 2.8 per cent. Consumer price inflation this year appears likely to be slightly higher than last year, such that real wage growth in 2015 is expected to be somewhat lower than in 2014.

The krone has weakened substantially since early in 2013. This has improved competitiveness, and in isolation points to somewhat higher wage growth. However, unemployment is rising somewhat and productivity growth is low. The krone is expected to strengthen in 2017 and 2018. We expect the share of manufacturing costs represented by wages to remain relatively stable through the projection period.

We forecast that annual wage growth will not rise above 3 per cent in the projection period. The moderate wage growth must be viewed in conjunction with the fact that segments of the economy have been significantly impacted by the fall in oil prices. The reduced demand from the petroleum sector and the fall in oil prices impacts profitability in some wage leader segments, and unemployment rises. This will slow wage growth, both because the demands in the centralised wage negotiations will be under pressure and because bonuses and other wage increases not covered by the wage settlement will be reduced. In addition come composition effects attributable to lower employment in the petroleum sector in Norway. The pay level in the petroleum industry is higher than in the rest of the economy, and in isolation the effect of reduced employment in this sector will depress growth in average wages through the entire projection period. Developments in inflation will nonetheless lead to a rise in real wages of around 0.5 per cent this year, while they will remain unchanged next year and in 2017 before increasing by about 1 per cent in 2018.

The exchange rate controls underlying inflation

The prolonged, sharp weakening of the krone has caused underlying inflation to rise. In the course of the last six months, the annualised rise in the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) has increased from a level around the average for 2014 of 2.4 per cent in the first five months of the year to 3.0 per cent in October.

The rise in the consumer price index (CPI) so far this year has been lower than the rise in the CPI-ATE but, like the CPI-ATE, it has risen through the last six months. After the 12-month rise in the CPI had hovered around 2 per cent up to May, there has been a rising tendency, and the rise was 2.5 per cent in October. However, there have been pronounced fluctuations in electricity prices during the period. In the third quarter, electricity prices were around 14 per cent lower than the previous year, contributing to CPI inflation being appreciably lower than CPI-ATE inflation. In the first half of the year and in October, low fuel prices were the principal reason for the relatively low CPI inflation.

From early 2010 and up to and including the first quarter of 2013, CPI-ATE inflation was around 1 per cent. Developments in the CPI-ATE by supplier sector, show that the tendency to higher inflation subsequently is closely linked to the depreciation of the krone and consequent rise in prices for imported goods. Through the past two years, it is largely the rise in prices for imported consumer goods that has gathered pace. This product group accounts for almost one third of the CPI-ATE. The year-on-year rise was negative for a long time, and in March 2013 it was -1.1 per cent. Since then, price inflation for this group has gradually increased, and in October 2015 was as high as 3.9 per cent. There has also been a tendency for an increase in the rise in prices for fish products and domestically produced agricultural products, but the weights of these two groups is fairly modest. The rise in prices for other goods and services produced in Norway, with the exception of energy products, has not shown any clear tendency to change through the past two years, however.

We assume that the depreciation of the krone has come to a halt, but that the import-weighted krone exchange rate will remain through 2016 at the same level as in the fourth quarter of 2015. We then assume that the krone will strengthen moderately for the remainder of the projection scenario. However, exchange rate changes affect Norwegian prices with a time lag, so that inflationary impulses from imported goods and services will not wane until well into 2016. The exchange rate also affects prices for goods and services produced in Norway through prices for intermediate inputs. Whereas higher import prices push the industries' costs up, lower wage growth has the opposite effect. Labour productivity normally picks up when the level of activity in the economy increases. Developments in Norwegian labour costs and productivity are expected

to generate relatively moderate inflationary impulses later in the projection scenario. The CPI-ATE as an annual average is expected to increase by 2.7 per cent in 2015 and 2.6 per cent in 2016, and then gradually decline to 1.4 percent in 2018.

The annual average of crude oil price movements will affect CPI inflation more than electricity prices this year. This is unlikely to be the case in the years ahead. Electricity prices are more volatile, and there is considerable uncertainty associated with these price movements in the short term. Naturally occurring factors such as precipitation and temperature are of great importance. In the medium term, the uncertainty associated with electricity prices is nonetheless not perceived as being greater than that associated with oil prices; rather the contrary. On the basis of forward prices at the end of November and consensus in the Storting about increasing electricity taxes by 1.5 øre per kWh, we forecast that electricity prices including grid rental and taxes will increase by over 6 per cent in 2016, while the annual average appears likely to fall by just under 4 per cent in 2015. We assume that electricity prices will rise a little less in 2017 and 2018 than general price inflation. Recent developments in crude oil prices indicate that fuel prices will remain low for a good while to come. However, an expected increase in crude oil prices will push up fuel prices in the period ahead. The introduction of a new levy on air travel per seat booked from April 2016 is forecast to push up CPI inflation by 0.1 percentage point in 2016. Fuel taxes are also assumed to be increased in 2017 and 2018, and will raise CPI inflation by 0.2 percentage point in each of those years.

CPI inflation is expected to be an annualised 2.2 per cent in 2015, and thus 0.5 percentage point lower than underlying inflation. Next year and in subsequent years, CPI inflation is likely to be somewhat higher than CPI-ATE inflation, however. Overall consumer price inflation will thus rise by 0.6 percentage point from 2015 to 2016, to 2.8 per cent. CPI inflation is then expected to edge gradually down to 1.6 per cent as an annual average in 2018.

Table 5 . National accounts: Final expenditure and gross domestic product. At constant 2012 prices. Million kroner

	Unadjusted		Seasonally adjusted								
	2013	2014	13.3	13.4	14.1	14.2	14.3	14.4	15.1	15.2	15.3
Final consumption expenditure of households and NPISHs	1 232 900	1 254 154	309 085	310 052	310 602	313 076	313 896	316 209	318 565	320 351	320 823
Household final consumption expenditure	1 173 971	1 194 398	294 315	295 172	295 831	298 223	298 892	301 074	303 366	305 265	305 513
Goods	561 154	564 394	139 632	139 421	140 219	141 132	140 893	142 143	141 990	143 702	142 879
Services	557 612	573 833	140 348	141 133	141 882	142 876	143 816	144 904	146 381	147 319	148 578
Direct purchases abroad by resident households	88 352	91 011	22 606	23 152	22 197	22 810	22 956	23 016	23 919	24 032	24 152
Direct purchases by non-residents	-33 147	-34 840	-8 271	-8 535	-8 466	-8 596	-8 773	-8 988	-8 924	-9 788	-10 096
Final consumption expenditure of NPISHs	58 929	59 755	14 770	14 880	14 772	14 853	15 004	15 135	15 199	15 086	15 311
Final consumption expenditure of general government	652 337	671 433	163 455	164 670	165 728	167 101	168 956	169 889	170 258	171 502	172 482
Final consumption expenditure of central government	324 740	336 519	81 240	82 103	82 751	83 807	84 778	85 414	85 785	86 492	86 740
Central government, civilian	284 159	296 074	71 053	72 067	72 655	73 697	74 675	75 282	75 675	76 312	76 546
Central government, defence	40 581	40 445	10 187	10 036	10 096	10 110	10 103	10 132	10 110	10 179	10 194
Final consumption expenditure of local government	327 597	334 914	82 215	82 567	82 978	83 294	84 178	84 475	84 473	85 011	85 742
Gross fixed capital formation	717 439	717 466	181 515	184 585	179 611	181 381	180 975	175 922	174 382	174 483	174 805
Extraction and transport via pipelines	213 338	207 257	55 975	55 269	53 672	53 339	51 944	48 207	48 061	45 891	42 407
Ocean transport	1 050	795	244	-315	34	227	359	234	676	447	241
Mainland Norway	503 051	509 415	125 296	129 631	125 904	127 815	128 672	127 481	125 644	128 146	132 156
Industries	219 060	218 221	53 322	56 619	53 584	53 739	55 025	56 107	54 020	54 395	52 669
Service activities incidental to extraction	5 509	2 402	1 039	3 231	505	703	616	579	658	127	119
Other services	135 124	135 803	33 166	33 182	32 626	33 173	35 036	34 995	33 439	34 627	32 792
Manufacturing and mining	31 680	33 438	7 611	8 106	8 501	8 099	7 919	9 004	7 746	7 792	7 535
Production of other goods	46 747	46 578	11 506	12 100	11 952	11 764	11 454	11 529	12 177	11 849	12 223
Dwellings (households)	152 301	149 953	37 895	38 584	38 323	37 852	37 428	36 591	37 509	38 319	39 205
General government	131 690	141 241	34 079	34 429	33 998	36 225	36 220	34 783	34 115	35 432	40 282
Changes in stocks and statistical discrepancies	140 257	154 242	33 376	34 835	33 884	43 687	42 063	35 674	50 977	40 334	32 996
Gross capital formation	857 696	871 709	214 891	219 420	213 495	225 069	223 038	211 596	225 359	214 817	207 801
Final domestic use of goods and services	2 742 933	2 797 296	687 431	694 142	689 825	705 246	705 889	697 693	714 183	706 670	701 106
Final demand from Mainland Norway	2 388 288	2 435 002	597 836	604 353	602 235	607 992	611 524	613 579	614 468	619 999	625 461
Final demand from general government	784 027	812 674	197 534	199 099	199 726	203 326	205 175	204 671	204 373	206 934	212 763
Total exports	1 203 742	1 230 629	305 155	300 078	302 323	299 480	307 023	320 748	311 752	312 821	327 323
Traditional goods	321 833	329 773	79 821	79 988	79 713	82 649	83 424	84 122	86 396	86 155	87 521
Crude oil and natural gas	581 265	592 123	149 016	141 502	147 471	141 321	146 741	155 571	147 553	148 256	157 758
Ships, oil platforms and planes	9 046	7 783	2 516	2 823	3 569	1 418	849	1 901	1 443	1 048	808
Services	291 598	300 950	73 802	75 765	71 570	74 092	76 009	79 155	76 360	77 362	81 236
Total use of goods and services	3 946 675	4 027 925	992 585	994 220	992 148	1 004 726	1 012 913	1 018 442	1 025 935	1 019 491	1 028 429
Total imports	875 541	888 773	219 709	223 464	216 612	220 546	227 686	224 449	230 682	224 243	219 033
Traditional goods	510 670	515 768	128 303	129 435	128 088	129 096	129 324	129 605	133 513	132 441	127 729
Crude oil and natural gas	15 820	13 944	4 769	3 186	3 398	3 087	3 477	4 117	4 076	3 510	2 670
Ships, oil platforms and planes	27 730	29 776	7 220	6 396	5 343	5 955	12 994	5 484	6 841	5 428	4 027
Services	321 321	329 286	79 417	84 447	79 782	82 407	81 891	85 244	86 252	82 865	84 607
Gross domestic product (market prices)	3 071 134	3 139 152	772 876	770 755	775 536	784 180	785 226	793 993	795 252	795 248	809 395
Gross domestic product Mainland Norway (market prices)	2 418 801	2 473 523	606 844	609 756	612 575	619 139	619 849	622 593	624 770	626 424	627 923
Petroleum activities and ocean transport	652 333	665 628	166 032	160 999	162 961	165 041	165 377	171 399	170 482	168 824	181 472
Mainland Norway (basic prices)	2 096 685	2 146 475	525 854	528 585	531 146	537 377	538 292	540 311	541 702	542 813	543 668
Mainland Norway excluding general government	1 588 668	1 628 383	398 769	400 673	402 340	407 984	408 709	410 009	410 627	411 206	411 778
Manufacturing and mining	208 628	215 819	53 084	52 288	52 589	53 968	54 703	54 589	53 654	52 877	51 557
Production of other goods	255 462	267 797	63 274	65 007	65 852	67 930	67 364	66 890	68 217	70 469	71 565
Services incl. dwellings (households)	1 124 578	1 144 768	282 411	283 377	283 900	286 085	286 642	288 531	288 756	287 860	288 657
General government	508 017	518 092	127 085	127 912	128 806	129 394	129 583	130 302	131 076	131 607	131 889
Taxes and subsidies products	322 116	327 048	80 990	81 171	81 429	81 762	81 557	82 282	83 068	83 611	84 256

Source: Statistics Norway.

Table 6. National accounts: Final expenditure and gross domestic product. At constant 2013 prices. Percentage change from the previous period fra foregående kvartal

	Unadjusted		Seasonally adjusted								
	2013	2014	13.3	13.4	14.1	14.2	14.3	14.4	15.1	15.2	15.3
Final consumption expenditure of households and NPISHs	2.7	1.7	0.6	0.3	0.2	0.8	0.3	0.7	0.7	0.6	0.1
Household final consumption expenditure	2.6	1.7	0.7	0.3	0.2	0.8	0.2	0.7	0.8	0.6	0.1
Goods	1.3	0.6	-0.5	-0.2	0.6	0.7	-0.2	0.9	-0.1	1.2	-0.6
Services	2.9	2.9	1.1	0.6	0.5	0.7	0.7	0.8	1.0	0.6	0.9
Direct purchases abroad by resident households	10.1	3.0	5.8	2.4	-4.1	2.8	0.6	0.3	3.9	0.5	0.5
Direct purchases by non-residents	2.7	5.1	1.3	3.2	-0.8	1.5	2.1	2.5	-0.7	9.7	3.1
Final consumption expenditure of NPISHs	4.6	1.4	-0.4	0.7	-0.7	0.6	1.0	0.9	0.4	-0.7	1.5
Final consumption expenditure of general government	1.0	2.9	0.7	0.7	0.6	0.8	1.1	0.6	0.2	0.7	0.6
Final consumption expenditure of central government	1.0	3.6	0.7	1.1	0.8	1.3	1.2	0.7	0.4	0.8	0.3
Central government. civilian	1.3	4.2	0.7	1.4	0.8	1.4	1.3	0.8	0.5	0.8	0.3
Central government. defence	-1.5	-0.3	0.2	-1.5	0.6	0.1	-0.1	0.3	-0.2	0.7	0.1
Final consumption expenditure of local government	1.0	2.2	0.8	0.4	0.5	0.4	1.1	0.4	0.0	0.6	0.9
Gross fixed capital formation	6.3	0.0	0.6	1.7	-2.7	1.0	-0.2	-2.8	-0.9	0.1	0.2
Extraction and transport via pipelines	19.3	-2.9	5.8	-1.3	-2.9	-0.6	-2.6	-7.2	-0.3	-4.5	-7.6
Ocean transport	-85.8	-24.3	-51.5	-229.4	-110.9	560.9	57.9	-34.8	189.2	-34.0	-46.0
Mainland Norway	2.9	1.3	-1.3	3.5	-2.9	1.5	0.7	-0.9	-1.4	2.0	3.1
Industries	-3.3	-0.4	-7.9	6.2	-5.4	0.3	2.4	2.0	-3.7	0.7	-3.2
Service activities incidental to extraction	-48.9	-56.4	-58.5	211.0	-84.4	39.3	-12.4	-6.0	13.8	-80.7	-6.3
Other services	0.4	0.5	-5.8	0.0	-1.7	1.7	5.6	-0.1	-4.4	3.6	-5.3
Manufacturing and mining	-5.0	5.5	-7.2	6.5	4.9	-4.7	-2.2	13.7	-14.0	0.6	-3.3
Production of other goods	-2.2	-0.4	-4.1	5.2	-1.2	-1.6	-2.6	0.7	5.6	-2.7	3.2
Dwellings (households)	5.3	-1.5	0.2	1.8	-0.7	-1.2	-1.1	-2.2	2.5	2.2	2.3
General government	11.8	7.3	9.2	1.0	-1.3	6.6	0.0	-4.0	-1.9	3.9	13.7
Changes in stocks and statistical discrepancies	8.6	10.0	6.2	4.4	-2.7	28.9	-3.7	-15.2	42.9	-20.9	-18.2
Gross capital formation	6.7	1.6	1.5	2.1	-2.7	5.4	-0.9	-5.1	6.5	-4.7	-3.3
Final domestic use of goods and services	3.5	2.0	0.9	1.0	-0.6	2.2	0.1	-1.2	2.4	-1.1	-0.8
Final demand from Mainland Norway	2.3	2.0	0.2	1.1	-0.4	1.0	0.6	0.3	0.1	0.9	0.9
Final demand from general government	2.7	3.7	2.1	0.8	0.3	1.8	0.9	-0.2	-0.1	1.3	2.8
Total exports	-1.7	2.2	0.5	-1.7	0.7	-0.9	2.5	4.5	-2.8	0.3	4.6
Traditional goods	1.3	2.5	-1.5	0.2	-0.3	3.7	0.9	0.8	2.7	-0.3	1.6
Crude oil and natural gas	-5.5	1.9	0.2	-5.0	4.2	-4.2	3.8	6.0	-5.2	0.5	6.4
Ships, oil platforms and planes	-1.3	-14.0	50.2	12.2	26.4	-60.3	-40.1	123.8	-24.1	-27.4	-22.9
Services	3.6	3.2	2.2	2.7	-5.5	3.5	2.6	4.1	-3.5	1.3	5.0
Total use of goods and services	1.8	2.1	0.8	0.2	-0.2	1.3	0.8	0.5	0.7	-0.6	0.9
Total imports	4.9	1.5	1.4	1.7	-3.1	1.8	3.2	-1.4	2.8	-2.8	-2.3
Traditional goods	2.3	1.0	2.0	0.9	-1.0	0.8	0.2	0.2	3.0	-0.8	-3.6
Crude oil and natural gas	11.4	-11.9	29.5	-33.2	6.7	-9.2	12.6	18.4	-1.0	-13.9	-23.9
Ships, oil platforms and planes	24.5	7.4	2.0	-11.4	-16.5	11.4	118.2	-57.8	24.8	-20.7	-25.8
Services	7.7	2.5	-0.8	6.3	-5.5	3.3	-0.6	4.1	1.2	-3.9	2.1
Gross domestic product (market prices)	1.0	2.2	0.6	-0.3	0.6	1.1	0.1	1.1	0.2	0.0	1.8
Gross domestic product Mainland Norway (market prices)	2.3	2.3	0.8	0.5	0.5	1.1	0.1	0.4	0.3	0.3	0.2
Petroleum activities and ocean transport	-3.3	2.0	0.0	-3.0	1.2	1.3	0.2	3.6	-0.5	-1.0	7.5
Mainland Norway (basic prices)	2.3	2.4	0.7	0.5	0.5	1.2	0.2	0.4	0.3	0.2	0.2
Mainland Norway excluding general government	2.8	2.5	0.8	0.5	0.4	1.4	0.2	0.3	0.2	0.1	0.1
Manufacturing and mining	3.3	3.4	1.6	-1.5	0.6	2.6	1.4	-0.2	-1.7	-1.4	-2.5
Production of other goods	0.1	4.8	0.3	2.7	1.3	3.2	-0.8	-0.7	2.0	3.3	1.6
Services incl. dwellings (households)	3.4	1.8	0.8	0.3	0.2	0.8	0.2	0.7	0.1	-0.3	0.3
General government	0.7	2.0	0.3	0.7	0.7	0.5	0.1	0.6	0.6	0.4	0.2
Taxes and subsidies products	1.8	1.5	1.4	0.2	0.3	0.4	-0.3	0.9	1.0	0.7	0.8

Source: Statistics Norway.

Table 7. National accounts: Final expenditure and gross domestic product. Price indices. 2013=100

	Unadjusted		Seasonally adjusted								
	2013	2014	13.3	13.4	14.1	14.2	14.3	14.4	15.1	15.2	15.3
Final consumption expenditure of households and NPISHs	100.0	102.1	100.0	100.8	101.8	102.1	101.4	102.8	104.2	103.2	103.3
Final consumption expenditure of general government	100.0	103.0	100.4	101.0	102.2	102.8	102.8	104.3	105.8	106.4	107.0
Gross fixed capital formation	100.0	102.3	100.3	100.9	101.3	101.8	102.7	103.4	103.9	104.5	105.3
Mainland Norway	100.0	101.8	100.2	100.8	101.2	101.3	102.1	102.7	103.2	103.4	104.0
Final domestic use of goods and services	100.0	102.4	100.2	101.1	101.9	101.8	102.7	103.4	104.9	103.4	103.5
Final demand from Mainland Norway	100.0	102.3	100.2	100.9	101.8	102.1	101.9	103.2	104.4	104.1	104.5
Total exports	100.0	99.1	101.4	103.8	101.8	100.5	97.3	96.0	93.1	95.5	92.6
Traditional goods	100.0	104.0	100.7	102.7	103.9	102.4	103.1	106.1	107.6	107.9	107.5
Total use of goods and services	100.0	101.4	100.6	101.9	101.9	101.4	101.1	101.1	101.3	101.0	100.0
Total imports	100.0	104.6	100.8	102.3	104.0	103.1	104.3	107.1	108.5	108.6	109.7
Traditional goods	100.0	105.5	100.7	102.5	104.3	104.3	105.5	107.5	109.8	109.3	111.5
Gross domestic product (market prices)	100.0	100.5	100.5	101.8	101.3	100.9	100.1	99.4	99.2	98.9	97.4
Gross domestic product Mainland Norway (market prices)	100.0	102.1	100.3	100.8	100.9	101.7	102.3	103.1	104.1	103.6	104.0

Source: Statistics Norway.

Table 8. National accounts: Final expenditure and gross domestic product. Price indices. Percentage change from previous period

	Unadjusted		Seasonally adjusted								
	2013	2014	13.3	13.4	14.1	14.2	14.3	14.4	15.1	15.2	15.3
Final consumption expenditure of households and NPISHs	2.1	2.1	0.2	0.8	1.0	0.3	-0.7	1.4	1.3	-0.9	0.1
Final consumption expenditure of general government	4.4	3.0	0.8	0.6	1.1	0.6	0.0	1.4	1.4	0.5	0.6
Gross fixed capital formation	2.3	2.3	0.8	0.6	0.4	0.4	0.9	0.7	0.4	0.6	0.8
Mainland Norway	2.3	1.8	0.6	0.6	0.4	0.2	0.7	0.6	0.5	0.3	0.6
Final domestic use of goods and services	2.7	2.4	1.1	0.9	0.8	-0.1	0.9	0.7	1.5	-1.4	0.1
Final demand from Mainland Norway	2.7	2.3	0.5	0.7	0.9	0.4	-0.2	1.3	1.2	-0.3	0.3
Total exports	1.6	-0.9	3.1	2.3	-1.9	-1.3	-3.2	-1.3	-3.1	2.6	-3.1
Traditional goods	2.7	4.0	1.4	2.0	1.1	-1.4	0.7	2.9	1.4	0.3	-0.4
Total use of goods and services	2.3	1.4	1.7	1.3	0.0	-0.5	-0.3	0.0	0.2	-0.3	-1.0
Total imports	1.6	4.6	1.8	1.5	1.7	-0.9	1.1	2.7	1.3	0.1	1.0
Traditional goods	1.5	5.5	1.6	1.7	1.8	0.0	1.1	1.9	2.2	-0.4	1.9
Gross domestic product (market prices)	2.5	0.5	1.7	1.3	-0.5	-0.4	-0.8	-0.8	-0.1	-0.4	-1.4
Gross domestic product Mainland Norway (market prices)	3.0	2.1	0.4	0.5	0.2	0.8	0.5	0.7	1.0	-0.5	0.5

Source: Statistics Norway.

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