Economic trends

International financial markets have been unstable since this summer, triggered by the slump in the US housing market. It is uncertain how large and long-lasting the effects on the real economy will be. The American central bank has made a downward adjustment of its growth estimates and cut the interest rate by 0.75 percentage points since September. Increased uncertainty and reduced liquidity in international money markets have prevented a stronger fall in market rates. The players in the money market expect the US interest rate to be cut by around 1 percentage point in the course of the next year. The market rate in the euro area has increased as a result of the liquidity situation although the key rate has remained unchanged. This is somewhat similar to the situation in Norway. In the euro area as well as in Norway, the money market has priced in falling money market rates of around 0.5 percentage points in the period towards next autumn.

The growth in the world economy is still high. This is particularly true for many Asian countries, but also for Latin America and Eastern Europe. The growth is expected to ease, especially in the OECD area. The decline has already manifested itself in the US economy, led by a marked shift in the housing market. The growth in the euro area has been stable at a high level since 2006. As the slowdown in the US economy thus far in 2007 to a large extent has been limited to the housing market, the international ripple effects have been relatively few. However, there are now signs that the slowdown is spreading. We expect the decline ahead to be moderate, but a considerably stronger international decline cannot be ruled out.

The strong output growth in the Norwegian economy has continued in the current year and it is plausible that growth in GDP for mainland Norway will be more than 5.5 per cent from 2006 to 2007. Annual GDP growth has not been at this level since 1985. Most mainland industries are experiencing output growth. There is strong demand side growth in consumption and investments as well as in exports of traditional goods and services. On average, the growth in demand from the general government is somewhat lower than from the other components.

Employment growth is strong. The labour immigration is still considerable and contributes to the strong upswing in the economy. Nevertheless, we have a tight labour market with increasing wage growth, which is what we can expect when unemployment is low and productivity is high. The high activity level has resulted in strong price growth in investment goods, particularly construction investment. On the other hand, inflation, measured as consumer price index adjusted for tax changes and excluding energy products (CPI-ATE), has not increased much in the recent period.

The monetary policy has been tightened through interest rate hikes and a stronger krone in 2007. Against the background of increased international insecurity, we expect the key rate to be stable in the time ahead. The interest rate difference against the euro has increased throughout 2007. Together with continued high oil prices this is likely to result in a gradually stronger krone exchange rate. Thus the monetary policy will have a dampening effect on the economic growth even if the key rate remains stable. Together with weaker market growth, the growth in exports will be lower. The recent interest rate hikes will contribute to dampen domestic demand. In the period ahead, the fiscal policy impulses and petroleum investments are expected to have the same effects on growth as in 2007. On the whole we therefore estimate a fall in mainland growth from the current high level to around 3 per cent in the years ahead. Unemployment will remain low, and this will contribute to continued high real wage growth. Despite high domestic growth in costs, a gradually stronger krone will result in consumer price growth below the inflation target.

Cyclical developments in Norway

The strong growth in output in the Norwegian economy has continued so far in 2007 and there are no signs of weaker growth according to the quarterly national accounts (QNA). The cyclical expansion in the Norwegian economy has thus continued this autumn. Mainland GDP growth is now projected to be slightly higher than 5½ per cent between 2006 and 2007. Primarily owing to a drop in petroleum production, total GDP growth will be far more moderate at about 3¼ per cent. Figures for key mainland industries show that economic growth is broad based.

On the demand side, growth is strong both for domestic consumer and investment demand and for exports of traditional goods and services. As growth impulses from the public sector are somewhat weaker than estimated trend growth in the mainland economy, households and businesses are the main contributors

Macroeconomic indicators 2005-2007. Growth from previous period unless otherwise noted. Per cent

	2005	2006	Seasonally adjusted			
			06:4	07:1	07:2	07:3
Demand and output						
Consumption in households etc.	4.0	4.2	1.1	3.0	1.6	0.8
General government consumption	0.7	3.0	0.7	0.7	0.9	1.1
Gross fixed investment	13.3	6.5	1.9	-0.8	2.9	2.9
Mainland Norway	12.7	7.3	8.5	-2.1	1.7	1.7
Extraction and transport via pipelines	18.8	3.4	-0.5	-6.2	7.4	6.1
Final domestic demand from Mainland Norway[1]	4.6	4.4	2.3	1.5	1.4	1.0
Exports	1.1	0.5	2.4	1.5	-2.7	2.6
Crude oil and natural gas	-5.0	-6.6	-1.9	4.1	-6.3	2.8
Traditional goods	5.0	6.2	3.3	3.4	-0.6	2.7
Imports	8.7	8.2	4.7	-0.7	1.2	3.5
Traditional goods	8.1	9.6	5.6	1.4	0.0	1.0
Gross domestic product	2.7	2.2	0.5	0.6	1.0	1.4
Mainland Norway	4.6	4.3	1.4	1.3	1.8	1.9
Labour market						
Man-hours worked	1.4	2.4	0.9	1.0	1.3	0.7
Employed persons	1.2	3.3	0.7	0.8	1.2	0.8
Labour force[2]	1.4	2.1	0.3	0.7	1.1	0.8
Unemployment rate, level[3]	4.6	3.4	2.8	2.7	2.6	2.5
Prices and wages						
Wages per standard man-year[4]	3.8	4.3	5.2	6.1	5.7	5.6
Consumer price index (CPI)[4]	1.6	2.3	2.5	1.0	0.3	0.2
CPI adjusted for tax changes and excluding energy products (CPI-ATE)[4]	1.0	0.8	0.8	1.2	1.4	1.6
Export prices, traditional goods	4.1	11.4	-0.6	-0.6	2.5	-2.7
Import prices, traditional goods	0.5	4.7	3.8	-0.2	1.1	-1.7
Balance of payment						
Current balance, bill. NOK	300.8	353.5	93.1	83.9	71.1	..
Memorandum items (unadjusted level)						
Money market rate (3 month NIBOR)	2.2	3.1	3.6	4.2	4.6	5.2
Lending rate, banks[5]	3.9	4.3	4.7	5.3	5.6	..
Crude oil price NOK[6]	351.4	413.8	380.7	360.4	414.1	435.3
Importweighted krone exchange rate, 44 countries, 1995=100	91.8	92.5	94.7	93.2	92.0	89.8
NOK per euro	8.01	8.05	8.27	8.17	8.10	7.92

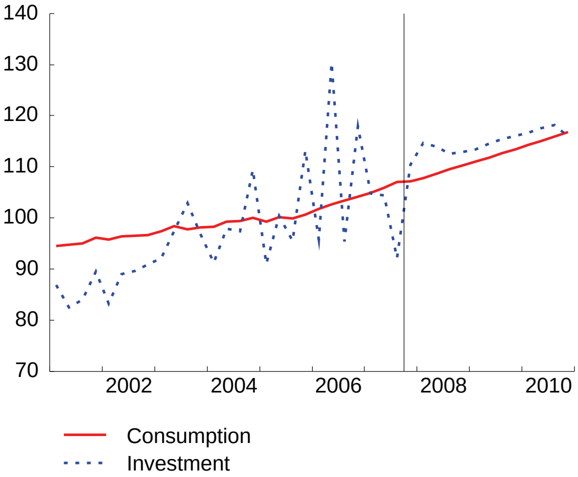
[1] Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.
[2] Unemployed (Labour Force Survey) and employment (NA) excl. maritime personnel in ocean transport.
[3] According to Statistics Norway›s labour force survey (LFS).
[4] Percentage change from the same period the previous year.
[5] End of period.
[6] Average spot price, Brent Blend.
Source: Statistics Norway and Norges Bank.

to growth. Mainland demand is projected to grow by a little more than 6 per cent between 2006 and 2007 and petroleum sector demand at about the same pace. Since demand growth is particularly vigorous for goods and services with a high import content, imports are growing at a faster rate than domestic demand. This explains (in accounting terms) why mainland output growth is lower than demand. Against the background of the upward revision of figures for consumption growth over the past six months of 2006 and the first six months of 2007, our projection for consumption growth for 2007 has been revised up to a good 7 per cent. The projections for other demand components show little change in relation to the previous report.

Employment growth is high in terms of both hours and persons. Inward labour migration has probably continued to increase rapidly this autumn and is contributing to sustaining the strong expansion. The labour market is very tight and wage growth is accelerating. This is in line with what can be expected at this stage of an upturn when unemployment is low and corporate profitability is high. Manufacturing profitability is particularly strong owing to high world market prices for many domestically produced goods. Inflation, as measured by the rise in the consumer price index adjusted for tax changes and excluding energy prices, has shown little increase recently, however. On the other hand, sharp increases in prices for investment goods, particularly linked to construction investment, have been observed.

We assume that the monetary policy tightening in 2007 through interest rate hikes and even higher increases in money market rates will not continue into 2008. Nor do we expect considerable changes in the exchange rate in the coming quarters. The key policy rate is assumed to remain stable ahead against the background of international uncertainty. The difference between the key policy rate and money market rates is expected to narrow somewhat from today's level and the three-month money market rate is expected to be 5¼ per cent as from the third quarter of 2008. In conjunction with an assumed modest interest rate decrease in the euro area through the first half of 2008, this will probably lead to a gradual appreciation of the krone exchange rate in the first half of 2008 and through 2009 and 2010. As a result, monetary policy will have a contractionary impact even though key rates are expected to remain unchanged ahead. Coupled with weaker growth in foreign markets, this will curb export growth. Higher real interest rate will have a dampening impact on domestic demand. In the period ahead, fiscal policy is expected to generate growth impulses on a par with 2007. The same applies to petroleum investment even though petroleum investment is expected to grow faster than most other demand components. Against this background, total mainland growth is projected to moderate in early 2008, down from today's high level to slightly below estimated annual trend growth of 3½ per cent. Unemployment will thus remain low in the years ahead, which implies fairly high real wage growth. A gradual appreciation of the krone will keep CPI inflation below the inflation target.

General government
Seasonally adjusted volume indices, 2005=100



Source: Statistics Norway.

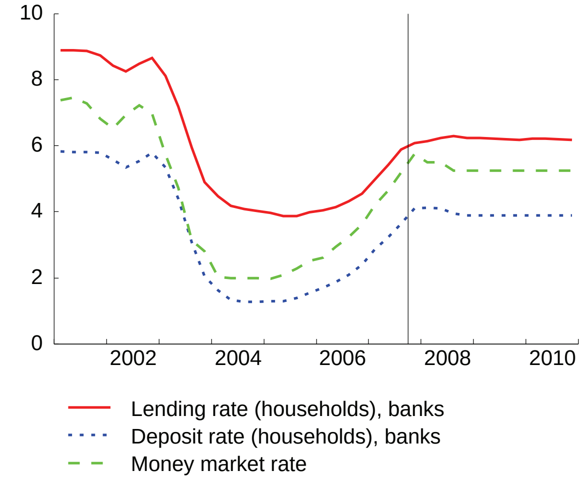
Stable growth in general government demand

According to QNA figures, general government consumption rose by 3.1 per cent in the first three quarters of 2007, compared with the same period one year earlier. This is exactly the same estimate as for 2007 as a whole in the National Budget for 2008 (NB08). Central government consumption has increased moderately so far this year, while growth in local government consumption was 4.5 per cent. Our growth estimate for general government consumption is the same as the NB08 estimate.

So far this year, gross general government investment has been 7 per cent lower than in the same period in 2006. Excluding investment in frigates, the level is about the same in the two years. In NB08, annual growth in gross general government investment is estimated at as high as 8.6 per cent between 2006 and 2007. Against the background of the moderate investment figures so far this year and the sharp rise in prices that can now be observed for certain investment goods, investment growth has been revised down to 1.6 per cent for 2007. Given these figures, growth in general government spending on goods and services is estimated at 2.9 per cent in 2007, which is slightly lower than mainland trend growth.

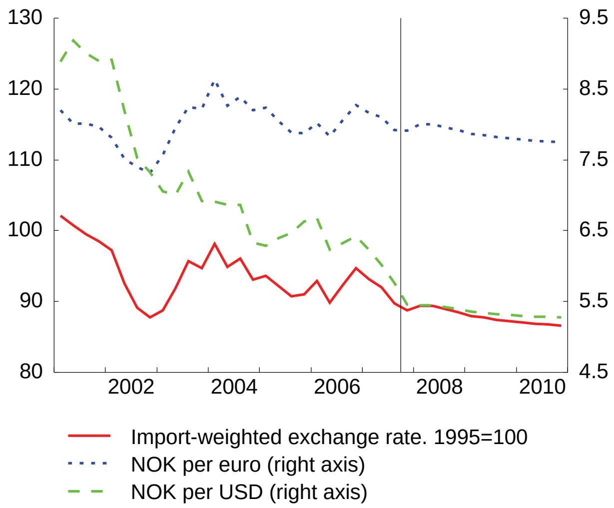
Growth in government benefits and transfers are unchanged in relation to earlier estimates and nominal growth is broadly on a par with wage growth. As a result of low CPI inflation, real growth in transfers comes to about 5 per cent in 2007, providing a substantial contribution to household real disposable income in 2007. Strong growth in the Norwegian economy results in strong growth in government tax revenues, but since real tax rates are virtually unchanged between 2006

Norwegian interest rates
Per cent



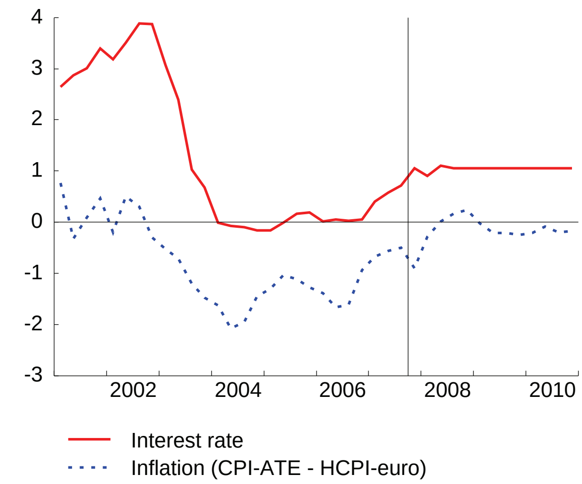
Source: Norges Bank and Statistics Norway.

Exchange rates



Source: Norges Bank.

Interest rate and inflation differential between NOK and the euro
Percentage points



Source: Norges Bank and Statistics Norway.

and 2007, the effect on the structural budget balance is marginal.

Our projections for different fiscal policy variables for the years 2008-2010 are broadly unchanged in relation to the previous report. The projections imply fairly stable growth of close to 3 per cent in general government spending on goods and services, which is slightly lower than estimated trend growth in the Norwegian economy. Overall, real tax rates are still assumed to remain unchanged in the years ahead. The rates for special taxes are revised up by 2.6 per cent for 2008 in line with NB08. In the following years, these rates are increased by close to 2 per cent per year, which is approximately in line with the projected rise in consumer prices. Our projection for volume growth in investment has been revised down for 2008 in relation to the previous report, and is now projected to grow at the same rate as projected in NB08.

On the whole, projections and calculations imply that the structural, non-oil budget deficit will be less than 4 per cent of the Government Pension Fund – Global in both 2007 and the years thereafter. For 2008, our projections imply little change in the deficit as a share of mainland GDP trend value. Against this background, fiscal policy can be qualified as approximately cyclically neutral. In a situation where the Norwegian economy is booming and expanding rapidly, strict adherence to the fiscal rule would generate stronger impulses than intended by the rule.

In the years ahead, crude oil prices in NOK terms are expected to be markedly higher than assumed in NB08. As a result, capital transfers to the "petroleum fund" will increase. The Fund will thus grow faster than projected in NB08. On the other hand, the krone exchange rate is assumed to be stronger than in NB08, partly as a result of the upward revision of oil prices. In isolation, this implies lower growth in the value of the Fund in NOK terms. As a result, our estimate for the Fund's value in NOK does not deviate that much from NB08. It is also possible that the turbulence in international financial markets will have a negative impact on the value of the Fund, as was the case during the previous global downturn.

End of monetary tightening cycle

In interest-rate setting, Norges Bank's shall strike a balance between stabilizing inflation, the exchange rate and developments in output and employment. The operational target of monetary policy is an annual rise in consumer prices of 2.5 per cent over time. Low inflation in recent years primarily reflects a supply shock through falling prices for certain imports and high productivity growth. Such shocks can lead to a situation where inflation is low while capacity utilization is high. Norges Bank must then weigh the objective of stabilizing inflation against the operational target and stabilizing developments in output and employment. In this connection, Norges Bank must also take into account the effects of interest rates on the exchange rate.

Since July 2005, Norges Bank has raised its key policy rate from 1.75 per cent to 5.0 per cent in September 2007. Money market rates have followed the key rate with a small premium. The premium has over time hovered around ¼ percentage point, but is somewhat higher when interest rates are on the rise. However, since summer 2007 the premium has been considerably higher owing to financial market turmoil. In the first half of the third quarter, the average money market rate was 5.7 per cent, while it climbed to 5.9 per cent in the week 17 to 23 October.

Against the backdrop of the turbulence in financial markets and a strong krone, Norges Bank has revised down its interest rate path. Norges Bank now envisages one or two interest rate hikes over the next year, with the possibility of interest rate cuts back to today's level towards the end of 2010. The money market has priced in falling money market rates in the coming year. If the abnormally high premium on money market rates is reduced ahead, falling money market rates may still be consistent with a 0.25 percentage point increase in the key rate.

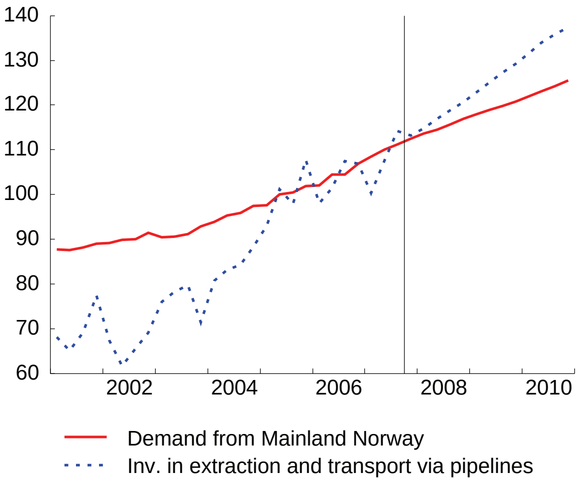
Banks' average lending rate increased from 4.7 per cent at the beginning of the year to 5.6 per cent at end-June. Deposit rates have shown a somewhat smaller increase, widening the interest rate margin somewhat after several years of narrowing margins.

The consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) was 0.8 per cent higher in 2006 than in 2005. CPI-ATE inflation has edged up this year and the 12-month rise in the CPI-ATE was 1.4 per cent in October. On an annual basis, the CPI-ATE is expected to be 1.4 per cent higher in 2007 than in 2006. Further out in the projection period, CPI-ATE inflation is projected to vary between 1.5-2 per cent.

Domestic credit growth, as measured by 12-month growth in private sector gross debt (C2), was 14.3 per cent in September 2007, or slightly lower than in previous months. Credit growth has largely varied between 13-15 per cent since the beginning of 2006. Twelve-month growth in household gross domestic debt was 11.8 per cent, which is the lowest 12-month growth recorded since April 2005. Household credit growth is still clearly higher than income growth, and gross debt as a percentage of income is still on the rise.

The European Central Bank (ECB) raised its key rate by 0.25 percentage point to 4.0 per cent in June this year. Money market rates in the euro area stood at about 4.7 per cent at the end of November this year. Against the background of slower global growth, the ECB is not expected to raise its key rate next year. The premium on the key rate should normalize after a period, with a fall in money market rates in the euro area through the first half of 2008. Money market rates in the euro area are thus expected to hover around 4.2 per cent from the third quarter of 2008 to the end of the projection period.

Domestic demand
Seasonally adjusted volume indices, 2005=100



Source: Statistics Norway.

The Norwegian krone appreciated sharply against the euro in the first 9 months of the year. As a monthly average, the exchange rate was 1 euro against NOK 8.30 in January this year, compared with NOK 7.70 in October. Over the past month, however, the krone has depreciated against the euro, to about NOK 8.00. The US dollar has depreciated markedly against the euro this year. The krone has thus appreciated to an even greater degree against the US dollar than the euro this year. While the dollar stood at close to NOK 6.40 in January, it stood at NOK 5.40 in October and the first half of November. Measured by the import-weighted krone exchange rate, where the weights are based on a composition of Norwegian imports, the Norwegian krone has appreciated from about 5 per cent at the end of last year to November this year. Our projections are based on unchanged exchange rates for our main trading partners. Owing to higher interest rates in Norway and sustained high oil prices, the krone is assumed to appreciate. On an annual basis, the krone is assumed to strengthen by 1.6 per cent this year and by a further 2.0 per cent next year, as measured by the import-weighted krone exchange rate. In 2009 and 2010, the krone continues to appreciate, increasing the krone's value by close to 6 per cent in 2010 compared with 2006. The krone appreciation implies a gradual fall in the euro against the krone, down to 7.75 per cent at end-2010.

Continued low inflation, combined with a krone appreciation, suggests lower interest rates in Norway. On the other hand, a high level of activity and credit growth suggest the opposite. In Economic Survey 2/2007, we calculated the effects of interest rate changes on inflation, mainland GDP and the exchange rate. According to the calculations, a one percentage point increase in the interest rate will reduce inflation by 1.1 percentage points one year ahead, while GDP is reduced by 1.0 per cent. The effect on inflation gradually subsides, while the effect on GDP doubles after three years. The effect on GDP works both through the interest rate channel and the exchange rate channel. The Norwegian krone will strengthen by more than 5 per cent in value in the first three years after the interest rate increase.

The key rate is assumed to remain constant through the projection period, while the premium on money market rates gradually normalizes. Norwegian money market rates will thus fall to 5.25 per cent and remain at that level from the third quarter of 2008 to 2010. If the premium on money market rates remains at a higher level, which would then reflect permanently higher risk in the interbank market, Norges Bank might compensate for this by lowering the key rate so that money market rates will still be about 5.25 per cent ahead.

Clear, positive growth impulses from petroleum investment

2007 will be the fifth consecutive year of volume increases for investment in production and pipeline transport. After expanding relatively rapidly through 2004 and 2005, growth slackened somewhat in 2006. QNA figures indicate that volume growth edged up again through the first three quarters of 2007. Compared with the same three quarters of 2006, the level of investment was 5 per cent higher. While investment in exploration, production drilling and platforms increased sharply, investment in on-shore installations and pipeline transport dropped. Petroleum investment is expected to show somewhat stronger growth in the last quarter of this year, bringing the investment volume to a good 6 per cent above that recorded in 2006. Investment is projected to grow at a about the same rate in each year through the remainder of the projection period. The projections are somewhat lower than in the previous report, partly because Snøhvit Olje will not be developed and Troll Future Development has been postponed to 2009 or 2010.

So far, oil companies' exploration activity has not been noticeably limited by rig capacity. Exploration has been stimulated by expectations of high oil prices over a long time horizon and the existence of promising exploration fields. This is also confirmed in Statistics Norway's latest investment intentions survey. Exploration activity is expected to increase further as rig capacity expands. Investment in fields in operation is also expected to show buoyant growth ahead, primarily reflecting investment linked to tail production at existing fields, which is associated with markedly higher profitability given the high oil price expectations.

Moreover, new finds in proximity of existing fields is expected to boost investment linked to existing infrastructure. Vega, Tyrihans, Goliat and Skarv/Idun are among the largest new fields that are likely to be fully or partly developed during the projection period. Several small field development projects are also likely to start up. The conditions are broadly in place for a sustained increase in field development observed over the past two years. On-shore investment is expected to show a clear contraction, however. With the near completion of the on-shore installations Nyhamna and Melkeøya, there are no new on-shore projects of significance in prospect. Pipeline investment is also expected to drop through the remainder of this year and next, but may be followed by a moderate increase again in 2009 and 2010.

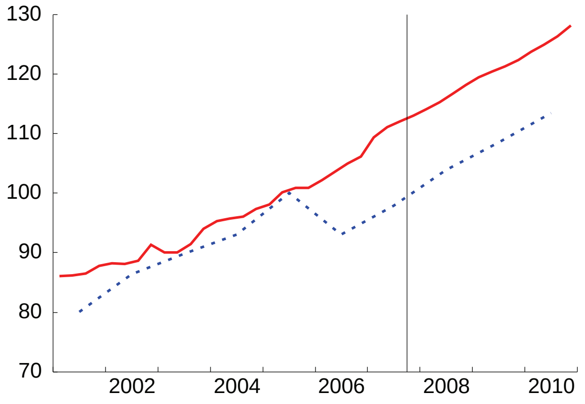
Investment in volume terms is expected to be higher this year than the previous peak in 1998. The relative contribution will still be smaller than at that time. Measured as a percentage of mainland GDP, investment accounted for about 8 per cent in 1998, compared with close to 6.5 per cent this year. Even with a clearly higher investment level in 2010, the percentage share will be considerably lower than the 1998 level. With falling investment in on-shore installations, the import share of investment will probably be higher in the years ahead than in recent years. According to the projections, petroleum investment will make an estimated contribution of 0.1 percentage point to mainland GDP growth in 2007, rising to 0.2 percentage point in 2010.

QNA figures show that oil and gas production dropped by close to 7 per cent in the first three quarters of 2007 compared with the same period one year earlier. Oil production showed a clear fall, while gas production remained firm. The decline in oil production is expected to be moderate, but production will still edge down throughout the projection period. Even with increased tail production and new field exploration, it is unlikely that this will offset the production decline at the large, mature fields in the ensuing years. Against this background, oil production is projected to sink throughout the projection period. With Snøhvit and Ormen Lange in commercial operation as from the fourth quarter of this year, gas production will increase markedly, however. All total, petroleum production will fall by a little less than 6 per cent this year, followed by an increase of a good 4 per cent next year. This level of production is expected to hold up through 2009 and 2010. In value terms, gas production's share of total petroleum production will increase from less than 22 per cent in 2005 to more than 36 per cent in 2010.

Consumption growth remains firm

Seasonally adjusted QNA figures show that consumption for households and non-profit institutions rose by 0.8 per cent between the second and third quarter of 2007, after increasing by 3.0 per cent and 1.6 per cent, respectively, in the two previous quarters. The deceleration in the last quarter primarily reflects spending abroad, which did not increase after rising rapidly in the previous quarters. Norwegian tourists' spending abroad was still at high level and 11.6 per cent higher in the third quarter of this year compared

Income and consumption in households
Volume indices, 2005=100



Source: Statistics Norway.

Residential market
Left axis adj. indices, 2005=100, right axis per cent

Source: Statistics Norway.

with the same quarter one year earlier. Domestic goods consumption increased by 1.0 per cent between the second and third quarter of this year, while spending on services exhibited somewhat slower growth. Spending on cars and clothing and footwear accounted for the largest share of growth in goods consumption in the third quarter. For the first three quarters as a whole, total consumption was as much as 7 per cent higher than in the same period last year. Excluding car purchases, which increased sharply owing to the change in car taxes at the beginning of the year, rose sharply in the first quarter, consumption growth was still well above 6 per cent. The strong growth in consumption in recent years, which reflects high underlying income growth and low interest rates in the period following 2002, has thus continued so far in 2007. On an annual basis, consumption growth is projected at as high as 7 per cent this year, or about 3 percentage points higher than in 2006. Higher growth rates for consumption have not been recorded since the 1980s.

Growth in household real disposable income is projected at close to 5.5 per cent in 2007 and around 5 per cent as an annual average to the end of the projection period. Excluding dividend payments, which have a limited stimulatory impact on consumption, income growth is expected to remain high ahead owing to particularly strong growth in household wage income but also in earnings for the self-employed and government transfers, primarily old-age pension under the national insurance scheme. In addition, low consumer price inflation, particularly in 2007, pushes up household real income growth. At the same time, household debt in relation to assets increases through the projection period. Coupled with somewhat higher lending rates, this will translate into lower net interest income, which pushes down disposable income growth. The real interest rate (after tax) is expected to be about 3.5 per cent in 2007, or clearly higher than in the two preceding years, falling to around 2.5 per cent as an annual average in the period 2008-2010. The income and interest rate assumptions applied above result in a growth path for consumption of around 4 per cent in the coming years. Our projections thus imply sustained high consumption growth ahead, albeit at a more moderate pace than in 2007.

Revised national accounts figures show that the saving ratio, i.e. saving as a share of disposable income, was a good 10 per cent in 2005. Preliminary figures indicate that the saving ratio declined to almost zero in 2006, primarily reflecting a sharp, tax-motivated decrease in dividend payments in 2006. In both the second and third quarter of this year, consumption was higher than disposable income resulting in negative saving in these quarters. A positive saving ratio in the first quarter has not prevented a further fall in the saving ratio so far in 2007. Our projections imply a fall in the saving ratio to close to a negative 2 per cent this year, followed by a gradual rise to 1.5 per cent in 2010. The low level of saving during the projection period reflects weak developments in household net lending. At current prices, household net lending will be reduced by about NOK 5 billion during the projection period from a level of a negative NOK 58 billion in 2006. Households are likely to continue shifting a share of their assets away from financial capital to housing capital, which is reflected in expectations of continued high housing investment ahead.

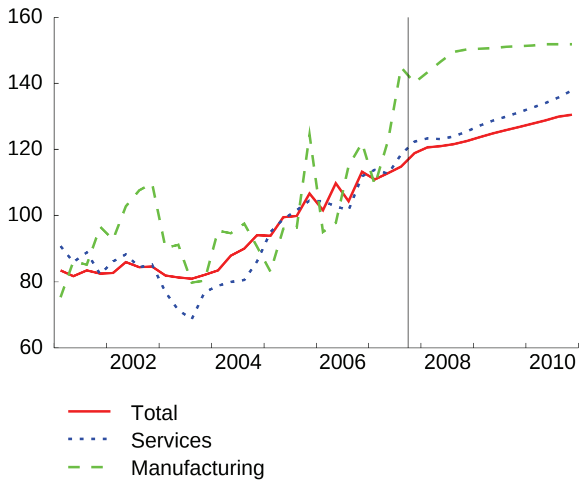
Household real disposable income. Percentage growth on previous year

	2006	2007	2008	2009	2010
Total	-7.0	5.3	6.1	4.5	4.5
Excluding dividends	3.7	4.2	3.6	4.2	4.3

High level of housing investment ahead

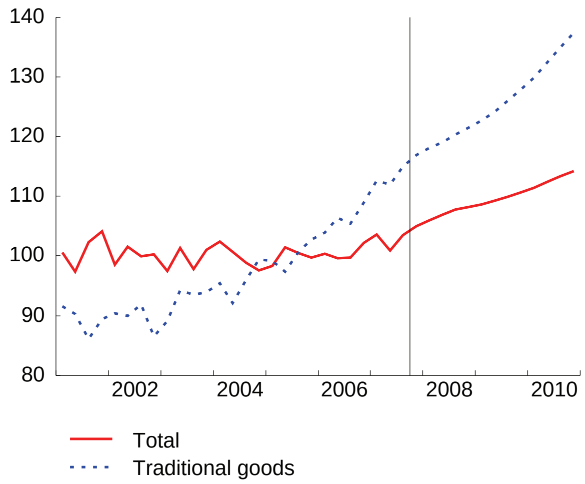
Seasonally adjusted QNA figures show that annualized growth in housing investment was 5.1 per cent between the second and third quarter of this year. The growth rate for the previous quarter was 1.8 per cent. By way of comparison, the growth rate was 10.8 per cent in

Investment, Mainland Norway
Seasonally adjusted volume indices, 2005=100



Source: Statistics Norway.

Exports
Seasonally adjusted volume indices, 2005=100



Source: Statistics Norway.

2005 and 6.6 per cent in 2006. The fast pace of growth in housing investment since end-2003, which has been driven by strong real income growth, lower real interest rates and high real house price inflation for resale homes, has thus clearly moderated.

Building statistics may indicate that housing starts, measured both in terms of number and utility floor space, have levelled off somewhat in recent months. Building activity through 2006 and the first six months of 2007 nevertheless indicate – combined with prospects for sustained high growth in real disposable income – that housing investment will remain firm at a high level in the years ahead. On the other hand, the very high level of housing capital and higher real interest rates will contribute to curbing housing investment and house price inflation in the period ahead. In 2007, housing investment is expected to increase at about the same rate as in 2006, by around 6.5 per cent. Thereafter, investment growth will be close to 3 per cent in the period to 2010. The rise in prices for resale homes is projected at around 13 per cent this year, slowing gradually to about 1 per cent towards the end of the projection period.

Vigorous investment growth

Mainland business investment increased by close to 40 per cent between 2003 and 2006 and has continued to expand rapidly so far in 2007. Seasonally adjusted QNA figures show an increase of 7.0 per cent between the second and third quarter of this year. Investment in the third quarter was 16.5 per cent higher than in the same quarter the previous year. Investment in manufacturing and mining/quarrying expanded by close to 18 per cent between the second and third quarter, while growth in the previous quarter was close to 13 per cent. Four-quarter growth was 25 per cent. According to seasonally adjusted figures, investment in services increased by a little more than 5 per cent between the second and third quarter, while four-quarter growth was close to 17 per cent.

According to Statistics Norway's latest investment intentions survey, volume growth in investment in both manufacturing and the power sector is about 20 per cent this year, and investment is projected to increase by a further 15 per cent in 2008.

Our projections are based on an investment path broadly in line with the investment intentions survey. In 2009 and 2010, investment growth for manufacturing is reduced to around 2 per cent, but owing to the fast growth in investment in the period 2003-2008, investment will remain at a high level. Real capital has thus increased, which may ease investment pressures. Higher real interest rates also contribute to pushing down investment. For mainland industries as a whole, investment growth is estimated at a little more than 10 per cent this year, followed by a halving of growth in the period 2008-2010. This implies that the overall investment level for mainland industries will also remain at a very high level throughout the projection period.

Lower export growth ahead

After dipping in the second quarter, seasonally adjusted export growth picked up again in the third quarter, when traditional goods exports were 2.7 per cent higher than in the second quarter. Exports of electricity and metals made the main contribution to the increase. Normally, electricity does not account for a large share of Norwegian exports, but in the third quarter the contribution to total growth was close to one percentage point. Exports of services and oil and natural gas expanded on a par with growth in traditional goods. A small decline in exports of gross freights (maritime transport) pushed down overall export growth somewhat.

Export prices for traditional goods were lower in the third quarter of this year than the level recorded at the beginning of the year following a seasonally adjusted price fall between the second and third quarter. This probably reflects both the krone appreciation over the

Imports
Seasonally adjusted volume indices, 2005=100

Source: Statistics Norway.

past year and falling global prices for some important export products. Prices for most groups of goods declined. Metal prices fell more than the average decline, albeit from a high level after a rapid rise in prices in 2006 and the first six months of this year. Oil and gas prices also fell in the third quarter. Export prices for services rose, however, and prices for total exports thus fell by 2.3 per cent.

Growth in traditional goods exports is expected to remain strong through the fourth quarter, and annual growth is estimated at close to 8 per cent. Norway's export markets have grown rapidly in recent years. Growth is likely to ease over the next two years as a result of somewhat weaker economic developments internationally, especially in the OECD area. Slower market growth, weaker cost competitiveness and markedly lower electricity exports will contribute to almost halving growth in traditional goods exports in 2007 and 2009 compared with this year. Towards the end of the projection horizon, global economic growth will pick up again and contribute to boosting growth in traditional goods exports to about 7 per cent.

Gas exports are projected to show appreciable growth in 2008, which implies a markedly faster rate of growth for overall exports than recorded in the past five years. Total export growth will edge down again in 2009 and 2010 as a result of slower growth in oil and gas exports.

Strong growth in service imports

The latest QNA figures show a 1.0 per cent increase in traditional goods imports in the third quarter of this year, adjusted for normal seasonal variations. In the second quarter, growth came to a halt after increasing by 1.4 per cent in the first quarter. Imports of engineering products and chemical and mineral products increased in the third quarter, while metal imports declined.

Service imports were particularly high in the third quarter, rising by as much as 6.8 per cent on the previous quarter. Several groups of services, including imports of banking services and other financial services and insurance services, grew at a fast pace. Imports of commercial services, which make up one of the largest service groups, also exhibited strong growth. Imports of indirectly measured banking and financial services showed a clear decline, however, pushing down growth in services.

Imports accounted a substantial share of domestic demand. Total imports rose by 3.5 per cent in the third quarter after rising by 1.2 per cent in the second quarter. In the first three quarters of the year, total imports were 7.8 per cent higher than in the same period one year earlier.

Import prices fell by 1.3 per cent in the third quarter, primarily reflecting the fall in prices for traditional goods imports. Prices for service imports showed a small increase.

Total imports are projected to grow by 8.1 per cent this year. Thereafter, growth in the mainland economy is expected to moderate and import growth to slow further ahead in the projection period. On the other hand, a stronger krone will make imports cheaper so that the decline will be less pronounced. A high investment level ahead also implies rapid growth in imports owing to the large import shares of some investment goods. Growth in total imports is projected to slacken to a little less than 6 per cent in 2008 and 2009. Towards the end of the projection period, domestic activity picks up and growth rates move up again. Traditional imports follow the same growth pattern with some deviations – for example high service imports push up growth in 2008 so that growth in total imports is somewhat higher.

An easing of the strong growth in the mainland economy

QNA figures for the first three quarters of this year show that mainland GDP growth has picked up further and mainland GDP growth was close to 5½ per cent higher than in the same period in 2006. So far in 2007, non-manufacturing goods production has shown particularly fast growth, while growth in the mainland economy is strong on a broad basis. About a half percentage point of growth in the second and third quarter this year reflects high electricity production owing to high precipitation levels. This contribution to growth is not likely to be sustained going forward. Looking back at growth developments in recent years, it is primarily the strong growth in private services that has fuelled the strong growth in GDP.

So far in 2007, GDP growth is still slightly higher than projected in the June report. Seasonally adjusted quarterly growth rates indicate accelerating mainland economic growth through 2006 and 2007. At basic prices, however, mainland GDP growth is more stable, but still

Main economic indicators 2006-2010. Accounts and forecasts. Percentage change from previous year unless otherwise noted

	Accounts 2006	Forecasts									
		2007			2008			2009		2010	
		SN	MoF	NB	SN	MoF	NB	SN	NB	SN	NB
Demand and output											
Consumption in households etc.	4.2	7.1	6.0	6	4.1	3.5	3 1/2	4.1	2	3.9	2 1/4
General government consumption	3.0	3.1	3.1	3	3.0	2.3	2 3/4	2.8	..	3.0	..
Gross fixed investment	6.5	7.6	9.9	..	5.7	1.3	..	4.2	..	3.9	..
Extraction and transport via pipelines[1]	3.4	6.3	15.0	7 1/2	5.9	0.0	7 1/2	7.0	7 1/2	7	7 1/2
Mainland Norway	7.3	7.9	8.8	8 3/4	4.2	1.8	3 1/4	3.6	..	3.1	..
Industries	6.8	11.4	10.7	..	5.5	4.0	..	4.6	..	3.6	..
Housing	6.6	6.5	6.0	..	3.2	-1.8	..	2.6	..	2.7	..
General government	9.7	1.6	8.6	..	2.6	2.0	..	2.6	..	2.4	..
Demand from Mainland Norway[2]	4.4	6.2	5.7	5 3/4	3.8	2.9	3 1/4	3.7	2	3.5	2 1/4
Stockbuilding[3]	0.6	-0.6	..	..	0.0	..	..	0.0	..	0.0	..
Exports	0.5	2.6	1.6	..	4.2	5.1	..	2.0	..	3	..
Crude oil and natural gas	-6.6	-2.8	-5.8	..	4.5	5.4	..	0.0	..	0	..
Traditional goods[4]	6.2	7.9	8.0	6 1/2	4.9	4.3	4	4.4	..	6.9	..
Imports	8.2	8.1	8.3	7 3/4	5.9	3.8	4 3/4	5.4	..	5.7	..
Traditional goods	9.6	8.6	9.0	..	5.2	3.3	..	5.2	..	5.8	..
Gross domestic product	2.2	3.3	3.5	3 1/4	3.6	3.1	3 3/4	2.4	1 3/4	2.6	1 3/4
Mainland Norway	4.3	5.7	5.0	5 1/4	3.2	2.8	2 3/4	2.9	1 3/4	3.2	2
Labour market											
Employed persons	3.3	3.6	3.5	3 1/2	1.9	1.0	1 1/4	1.8	1/4	1.5	0
Unemployment rate (level)	3.4	2.6	2 1/2	2 1/2	2.6	2 1/2	2 1/2	2.6	3	2.6	3 1/2
Prices and wages											
Wages per standard man-year	4.3	5.7	5	5 1/2	6.2	5	5 3/4	5.3	5 1/4	5.2	5
Consumer price index (CPI)	2.3	0.6	1/2	3/4	2.9	2 1/2	3 1/4	1.6	2 1/4	1.7	2 1/2
CPI-ATE[5]	0.8	1.4	1 1/2	1 1/2	1.9	2	1 3/4	1.7	2 1/4	1.7	2 1/2
Export prices, traditional goods	11.4	2.3	4.1	..	-3.2	-2.0	..	-1.6	..	2.5	..
Import prices, traditional goods	4.7	4.0	2.3	..	-1.7	-1.5	..	-1.3	..	1.2	..
Housing prices[6]	12.9	12.9	..	..	7.1	..	..	3.3	..	1.3	..
Balance of payment											
Current balance (bill. NOK)	353.5	338.8	289.1	..	419.3	263.2	..	383.8	..	377.1	..
Current balance (per cent of GDP)	16.4	14.9	13.0	..	17.1	11.4	..	15.1	..	14.3	..
Memorandum items:											
Household savings ratio (level)	0.1	-2.0	-1/2	..	0.3	1/2	..	0.8	..	1.6	..
Money market rate (level)	3.1	4.9	4.8	4 3/4	5.4	5.9	5 1/2	5.3	5 1/2	5.3	5 1/4
Lending rate, banks (level)[7]	4.3	5.6	..	..	6.2	..	..	6.2	..	6.2	
Crude oil price NOK (level)[8]	414	421	400	..	456	360	..	426	..	423	..
Export markets indicator	8.4	7.7	..	..	6.1	..	..	5.6	..	7.6	..
Importweighted krone exchange rate (44 countries)[9]	0.6	-1.6	-0.8	-2	-2.0	-0.3	-2 1/2	-1.7	1 1/2	-0.9	1 1/2

[1] Forecasts from Ministry of Finance incl. service activities incidential 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] Nores Bank estimates traditional exports, which also includes some services.

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

[6] Freeholder.

[7] Households› borrowing rate in private financial institutions. Yearly average.

[8] Average spot price, Brent Blend.

[9] Increasing index implies depreciation.

Source: Statistics Norway (SN), Ministry of Finance, St.meld. nr.1 (2007-2008), (MoF), Norges Bank, Pengepolitisk rapport 3/2007 (NB).

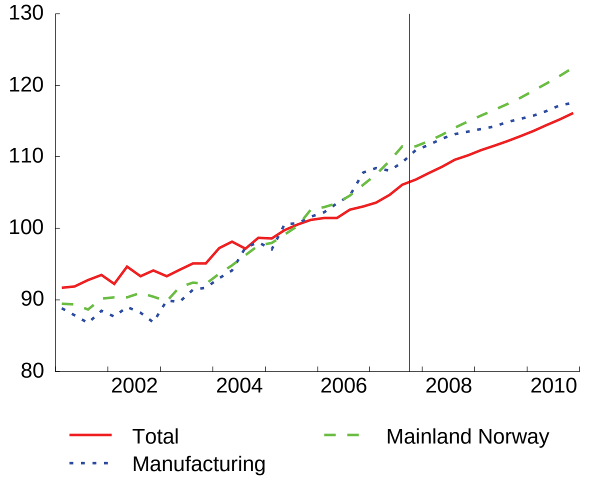
very high. A share of the strong growth in mainland GDP is notably due to a shift in the composition of demand towards highly taxed goods, such as household car purchases.[1] Mainland GDP is projected to grow at an annual rate of 5.7 per cent between 2006 and 2007. Excluding balancing items, growth is put at a good 5 per cent. Excluding electricity production's contribution to growth, the rate of growth may be a few tenths per cent lower. Growth in total GDP is more moderate, but the marked decline in production in the petroleum sector and maritime transport observed in recent years now seems to have flattened. Petroleum production is expected to show clear growth in the quarters ahead, with a gradual pick-up in GDP growth. Total GDP is now projected to grow by 3.3 per cent in 2007.

Our projections still imply a pronounced moderation of growth in the Norwegian economy in the coming quarters. This turnaround primarily implies a deceleration in GDP growth to slightly below trend growth, which is 3½ per cent. The main contributory factor is slower growth in household demand as a result of higher interest rates. At the same time, income growth will continue, not least owing to high real wage growth. This will hold up consumption growth, but at a more moderate level than in 2007. The shift to more moderate growth will lead to slower growth in the construction industry than observed in recent years. This industry is facing clearly visible capacity constraints, and further growth will depend on the supply of foreign labour, which is difficult to project with great accuracy. The service sector will also witness more moderate growth ahead as a result of slower growth in consumption. However, it is particularly spending on consumer durables that will slow. This will primarily affect some segments of the retail industry, since these goods are primarily import goods. Fiscal policy impulses and growth in general government production are assumed to remain approximately unchanged. A tight labour market will limit potential growth for both private and public service production going forward.

A more moderate growth outlook for the global economy will weaken market prospects for Norwegian exports and thereby growth in exports of both mainland goods and services. In addition, a stronger krone and high cost inflation in Norway will erode competitiveness and curb export growth. This is also likely to lead to an increase in import shares, which drags down manufacturing growth. On the other hand, gross business investment, including the petroleum sector investment, will continue to grow rapidly in 2008, partly reflecting the need for increased capacity after several years of strong production growth. Moreover, investment funding capacity is solid and the user price of capital has not increased appreciably relative to labour costs in spite of higher interest rates.

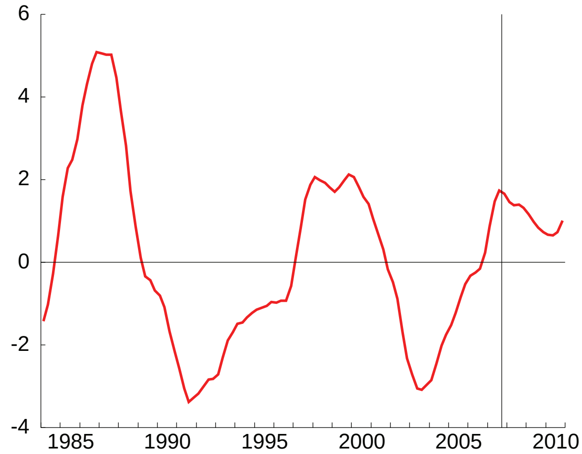
[1] This is reflected in QNA figures in the form of unusually strong growth in balancing items that capture the difference between production excluding indirect taxes and the demand side that is calculated including indirect taxes.

Gross domestic product
Seasonally adjusted volume indices, 2005=100



Source: Statistics Norway.

Output gap, Mainland Norway
Deviation from trend, per cent

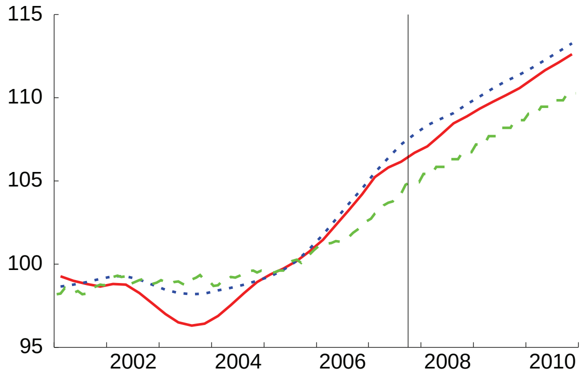


Source: Statistics Norway.

Overall, the mainland economy is projected to grow at a noticeably slower rate ahead, down to 3.2 per cent in 2008. Since the turnaround in demand is fairly broad based, this will affect developments in most industries. Even if growth is projected to slow markedly in 2008, mainland economic growth will still be relatively high over a longer time horizon. Capacity constraints, for example as measured by unemployment, also imply slower growth ahead, even if inward labour migration remains at high levels.

After many years of higher growth in mainland GDP than in total GDP, the increase in oil and gas production is expected to result in faster growth in total GDP than in mainland GDP in 2008, for the first time since the beginning the 2000s. Growth in that sector, combined with a rising tendency for unit operating costs, will generate positive growth impulses to the mainland economy in 2008 also from current petroleum production. Thereafter, however, petroleum production is

Labour force, employment and number of man-hours
Millions. Seasonally adjusted and smoothed indices



Source: Statistics Norway.

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

Source: The Directorate of Labour and Statistics Norway.

expected to remain unchanged on the whole, bringing down total GDP growth to slightly below mainland GDP growth in 2009 and 2010.

Monetary conditions tightened in 2007 both through higher interest rates and a stronger krone exchange rate. A stronger exchange rate has a dampening impact on inflation, with an isolated rise in real interest rates, which drags down growth in household demand. Furthermore, a stronger krone exchange rate leads to slower export growth. In 2009, the features of the growth outlook described above will be amplified. Business investment growth, in particular, is likely to come to a halt, but at a high level of investment. This will result in a further deceleration of mainland GDP growth between 2008 and 2009. Our growth projection for 2009 is at just under 3 per cent.

A renewed global cyclical upturn as from 2009 will contribute to a pick-up in export growth, with an attendant increase in manufacturing output. Continued growth in petroleum investment will underpin growth in manufacturing and other petroleum-related activity and prevent a deterioration in cost competitiveness from translating into lower production. These impulses will spread to other sectors of the economy, and mainland growth will therefore pick up towards the end of the projection period. Against this background, mainland GDP is projected to grow at more than 3 per cent in 2010.

Sustained high employment growth

The record-high growth in employment of 3.3 per cent between 2005 and 2006 brought unemployment down to a very low level. The labour force survey (LFS) shows a fall in unemployment of 1.2 percentage points to 3.4 per cent in 2006. Employment growth is set to be even higher this year, with an increase of 3.6 per cent in the number employed compared with 2006. However, the fall in unemployment will not be as pronounced, but still be considerable in level terms.

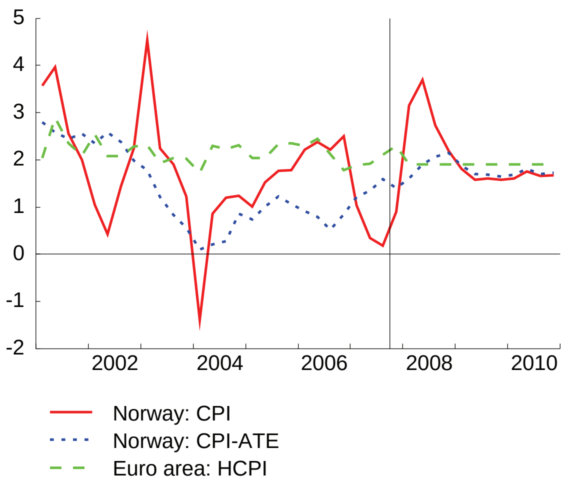
Monthly LFS figures, in terms of a three-month moving average, show that LFS unemployment has been approximately unchanged since January this year. In September 2007, LFS unemployment was 2.6 per cent against 2.7 per cent in January. Employment growth has still held up. Seasonally adjusted, three-month moving average figures for employment show an increase of 2.1 per cent between January and September this year, i.e. an increase of 51 000 persons. The labour force increased by 49 000 in the same period. Developments may indicate that there is little room for bringing down the unemployment level further, at least in the short term, and that continued growth in employment will to a large extent depend on further growth in the labour force.

The national accounts show higher employment growth than the LFS. This is because non-resident foreign workers on short-term contracts are not included in the LFS definitions, while this group has rapidly increased. According to QNA figures, employment grew by close to 89 000 between the third quarter of 2006 and the third quarter of 2007, which is 12 000 more than indicted by LFS figures.

The group resident foreign workers (i.e. persons registered in the National Registry who stay in the country for more than 6 months) and increased labour force participation among Norwegian nationals have contributed to the growth in the labour force. In particular, labour force participation among older women has increased. Labour force attachment among today's older workers seems to have increased in recent years. This may be because the post-war generation has a higher level of education than the parent generation. An increase in the labour supply is also normal in a period of tight labour market conditions, to a large extent because of a lower degree of labour market exclusion, which in other periods may be experienced by some groups. This also motivates persons who may previously have faced problems finding a job to make a renewed effort. Moreover, high real wage growth in recent years has made it more attractive to be a wage-earner rather than staying at home or pursuing an education. Furthermore, there is reason to believe that the large-scale development of child day-care facilities, combined with lower day-care rates, has led to an increase in labour force participation among parents of young children.

Foreign labour inflows are expected to show a continued increase, but at a somewhat slower pace ahead. Growth in the labour force is projected to slacken from 2.7 per cent in 2007 to 2 per cent in 2008, with a further drop to 1.5 per cent in 2010. With employment projected to grow at about the same pace, the level of employment is expected to remain stable. The projections imply an unemployment rate of 2.6 per cent through the period 2007-2010.

Consumer price indices
Percentage growth from the same quarter previous year



Source: Norges Bank and Statistics Norway.

Accelerating wage growth

According to QNA figures, average wage per normal person-hour increased by 5.6 per cent between the third quarter of 2006 and the third quarter of 2007. This is somewhat lower than the growth rate in the year to end-June 2007, but nevertheless indicates that underlying wage growth is on the rise. In the two-year collective wage agreements, the largest pay increases are awarded in the spring of the main settlement year. The pay increases awarded in the interim settlements are traditionally lower. Last year a main settlement was negotiated and the high wage growth in the year to end-June 2007 must be seen in the light of the negotiated pay increases that were awarded then. However, the wage figures for the third quarter last year by and large include the pay increases awarded that year. The high wage growth between the third quarter of 2006 and the third quarter of 2007 therefore indicates that wage growth has been particularly high among groups with locally negotiated pay increases and with wages that are to a limited extent regulated by collective agreements.

After four years of annual wage growth of around 4 per cent, average wage per normal person-year is estimated at 5.7 per cent between 2006 and 2007. The fall in unemployment through 2006 was pronounced and wage growth traditionally edges up in the wake of a tightening of the labour market. Higher wage growth this year reflects a shortage of certain labour skills, but also an increase in commissions and bonuses for certain groups of employees as a result of large corporate profits. For example, wage statistics show that monthly salaries for employees of financial institutions, excluding banks and insurance companies, increased by 8.8 per cent in the year to September 2007, with bonuses accounting for 3.5 percentage points of the increase.

In 2008 a main settlement will again be negotiated. The decline in unemployment, substantial corporate profits over many years and strong wage growth for groups with locally negotiated pay increases point to high negotiated pay increases next year. Negotiated pay increases will push up the wage level in the year to end-June 2008, thereby pushing up annual wage growth in both 2008 and 2009. Growth in wages per normal person-year is projected to increase to 6.2 per cent between 2007 and 2008. At the same time, the expansion in the Norwegian economy will moderate as a result of slower global growth, higher interest rates and a stronger krone. This may contribute to curbing pay increases for groups that are not covered by collective bargaining agreements, particularly in 2009. Wage growth is thus projected to edge down to 5.3 per cent in 2009.

Moderate wage growth, combined with very high corporate earnings, in the period 2003-2006 resulted in an abnormally low share of labour costs in relation to value added in 2006. Our projections imply some reversal of wage shares through 2008 and 2009. High wage growth will then coincide with a weakening of Norway's terms of trade for traditional goods, since the global slowdown will curb the rise in export prices to a further extent than the rise in import prices. In addition, growth in labour productivity is likely to normalize in these years. Productivity growth tends to be high during an expansion, but in recent years it has been abnormally high.

The increase in wage shares, coupled with a stable labour market, would indicate a further drop in wage growth in 2010. With wage growth of 5.2 per cent between 2009 and 2010, wages will have increased by more than 60 per cent since 2000. Combined with our projection for CPI inflation, this implies real wage growth of 36 per cent over that decade. Such a high rate of real wage growth has not been witnessed since the 1960s.

Link between exchange rate and inflation

A protracted and strong cyclical upturn in Norway has led to a gradual pick-up in inflation. From zero inflation in January and February 2005, inflation measured by the consumer prices index adjusted for tax changes and excluding energy products (CPI-ATE) moved up to 1.8 per cent in August this year. In spite of persistent pressures in the economy, inflation has fallen slightly in recent months. In October, CPI-ATE inflation was 1.4 per cent, again bringing inflation below Norges Bank's target range for monetary policy of 1.5-3.5 per cent. Developments this autumn partly reflect a slower rise in prices for imported consumer goods, which may also reflect the krone appreciation through the year.

A decomposition of the CPI-ATE by supplier sector shows that prices in all key sectors, with the exception of house rents, have been edging up since the tendency towards rising inflation started in 2004. In January 2004, house rents (including holiday home rents) increased by 2.5 per cent on a 12-month basis. In October this year, the rate of increase had edged down to 1.5 per cent in spite of higher interest rates and rapidly rising construction costs and house prices. An increase in the supply of rental homes as a result of high building activity is probably the main explanation behind this development. It can also be noted that there are wide regional differences. In pressure areas, house rents are rising at considerably faster-than-average rate.

Through the past year, prices for domestically produced goods, excluding energy products, have risen rapidly, largely reflecting a sharp increase in prices for home maintenance and repair products. Between January and October this year, these prices increased by 7.2 per cent, after rising by 2.1 per cent through 2006 as a whole. The high level of building activity in both Norway and many neighbouring countries has led to shortages of building materials. The increase in prices was primarily concentrated on the first six months of the year. This may indicate that imbalances in this market are being reduced and may be an indication of a slower rise in prices ahead.

Prices for services, excluding house rents, have increased at a particularly fast pace over the past year, although a large share of the increase can be attributed to the unwinding of effect of the introduction of maximum day-care rates on the 12-month rise in prices. Nor do recent developments in this price component point to rising inflation ahead.

Several factors combined can explain the low level of inflation in Norway over the past five years. The shift towards imports from low-cost countries, a somewhat stronger krone and low global inflation have contributed to a low rate of increase in prices for imported consumer goods. Moreover, relatively low growth in hourly labour costs in Norway, coupled with high productivity growth, has contributed to a subdued rise in prices for domestically produced goods and services, excluding energy products.

Growth in hourly labour costs has picked up in 2007 and is set to remain relatively high going forward. After four years of economic expansion, it now appears that the high rate of productivity growth is tapering off. After a sharp rise in prices for some industrial commodities, world market prices for food have also shown a clear increase. This has resulted in an increase in goods prices in Norway, which is expected to push up inflation ahead. We also expect that the negative price impulses from increased imports from low-costs countries will subside. However, our underlying assumption of a stronger Norwegian krone ahead will counter the upward pressures on inflation from domestic components and external price impulses. According to our calculations, CPI-ATE inflation will move up to an annual average of 1.4 per cent this year and vary between 1.5-2 per cent in the following three years.

In assessing developments in household real income, the rate of increase in the total consumer price index (CPI) is the relevant inflation measure. CPI inflation was 0.2 per cent lower in October than in the same month one year earlier. The drop in inflation primarily reflects electricity prices. Electricity accounts for close to 4 per cent of household consumption, and the electricity price index was almost 38 per cent lower in October than one year earlier. However, electricity prices vary widely and are now rising rapidly. Electricity spot prices doubled between July and October, and have continued to rise in November. Standard contract prices had been stable for a long period, but have risen sharply over the past five weeks. As an annual average, CPI inflation is projected at 0.6 per cent between 2006 and 2007.

Forward prices indicate that electricity prices will continue to rise in 2008 and remain at a markedly higher level in 2008 than in 2007. Electricity prices charged to households are projected to rise by about 25 per cent in 2008, or by a little more than the decline this year. Oil prices in NOK terms are expected to be somewhat higher in 2007 than in 2006 and are likely to edge up further next year, followed by a modest decline thereafter. The CPI effects of the assumed changes in oil prices are negligible.

Fro 2008, we have incorporated the tax programme proposed in the central government budget, which will on balance have a neutral impact on inflation. Real indirect taxes are assumed to remain unchanged through the remainder of the projection period. Under these assumptions, average CPI inflation is projected at 2.9 per cent in 2008. In 2009 and 2010, CPI inflation will be approximately the same as CPI-ATE inflation, i.e. between 1.5-2 per cent.

Soaring oil prices strengthen the current account

According to QNA figures, the goods and services balance showed a surplus of NOK 84 billion in the third quarter of this year, i.e. a decrease of NOK 6 billion compared with the previous quarter and a decrease of NOK 4 billion compared with the third quarter of 2006. The reduction in the trade surplus primarily reflects higher growth in imports than in exports. In addition, the terms of trade weakened. The interest and transfers balance is expected to show a surplus in the third quarter of this year. This may bring the current account surplus to NOK 90 billion, which is a good NOK 20 billion increase in relation the previous quarter, but slightly lower than the surplus recorded in the third quarter of 2006.

After falling in the second and third quarter of this year, record-high oil prices will make a substantial contribution to a renewed increase in the trade surplus in the final quarter of this year, bringing the surplus for 2007 as a whole up to an estimated NOK 370 billion. A reduction of 25 per cent in relation to last year's exceptionally large surplus on the interest and transfers balance will result in a current account surplus of just below NOK 340 billion, which is not far from the record-high level in 2006.

The year 2008 may be the first year that the trade surplus exceeds NOK 400 billion. The estimated trade surplus of NOK 427 billion next year primarily reflects expectations of high oil prices. Oil prices are assumed to remain at a high level through 2009 and 2010. With a stable volume of oil and gas exports, the price level for oil and gas will make a substantial contribution to sustaining the trade surplus at a high level. In spite of this, the surplus is expected to decline to well below NOK 400 billion in 2009 and 2010, partly owing to slower international growth and somewhat lower oil prices. A wider interest rate differential between Norway and other countries will lead to a stronger krone, which in isolation will reduce the volume of exports. An increase in official development assistance, external dividend payments and transfers from non-resident workers in Norway to foreign countries will have a weakening impact on the interest and transfers balance. On the other hand, increased foreign net interest income deriving from the build-up of the Government Pension Fund – Global will have the opposite effect. As a result, the current account surplus may reach NOK 420 billion in 2008, falling to around NOK 380 billion in 2009 and 2010.

Effects of a more pronounced international downturn on the Norwegian economy

As in previous reports, our projections are based on the assumption of a moderate global cyclical downturn, followed by a renewed upturn towards the end of the projection period. The downturn is assumed to be triggered by a slowdown in the US economy, amplified by the current turbulence in international financial markets. However, several conditions now imply a substantial risk of a more pronounced downturn. The correction under way in the US housing market may be considerably stronger and of a longer duration than envisaged earlier. A sustained decline in the housing market may lead to even higher defaults on mortgage loans in the US and intensify the crisis in international credit and financial markets. If this proves to be the case, it may lead to a further tightening of global borrowing conditions, both for businesses and consumers. This may in turn trigger and intensify correction processes, particularly in countries where the housing stock tends to have been overvalued. A more pronounced and protracted downturn in the US economy will have international ripple effects in that US companies will reduce their foreign investment and US demand for import goods will fall. Economic conditions in Asia will also be adversely affected by such a development.

In our analysis of the implications for the Norwegian economy of such a scenario, we have calculated an alternative path where we apply a more pronounced international cyclical downturn. In the alternative path, GDP growth among Norway's trading partners slows to the same extent as during the cyclical downturn in the beginning of the 2000s. Market growth for Norwegian exports thus falls to almost zero per cent next autumn, compared with a low of a little more than 5 per cent in the baseline scenario. Growth remains low thereafter, before picking up somewhat towards the end of 2009 and through 2010.

We have also assumed that global commodity prices fall by 25 per cent more than in the baseline scenario in 2008, but approach the levels in the baseline scenario towards the end of the projection period as global growth picks up again. This implies, for example, a gradual fall in oil prices to USD 60 per barrel in the beginning of 2009, compared with USD 80 in the baseline scenario. Oil prices then edge up through 2010, reaching USD 70 per barrel towards the end of the year.

Inflation in the euro area is assumed to fall to 1.5 per cent in the course of 2008, compared with 1.9 per cent through the entire projection period in the baseline scenario. The ECB responds to lower inflation and growth by lowering its key rate. The three-month euro interest rate falls through the entire projection period, from 4.7 per cent in the fourth quarter of this year to 2 per cent towards the end of 2010. The fall in interest rates is concentrated on the latter half of 2008 and early 2009. The ECB's interest rate response is approximately the same as that observed during the downturn in 2001. In comparison, the euro interest rate is 4.2 per cent as from the third quarter of 2008 in the baseline scenario.

The effects on the Norwegian economy are estimated using Statistics Norway's macroeconomic model KVARTS. The fiscal stance in Norway is assumed to be the same as in the baseline scenario. The exchange rate is model determined. In the alternative scenario, the interest rate is determined by an exogenous relationship that is estimated based on Norges Bank's response pattern since the introduction of the inflation target in March 2001. The interest rate increases if inflation (measured by the CPI-ATE) increases, and if pressures build up in the real economy, as measured by the LFS unemployment rate, so that lower unemployment results in higher interest rates.

Norwegian money market rates fall through most of the projection period in response to lower interest rates abroad, higher unemployment and lower inflation, but levels off around 2.5 per cent in 2010. The krone is somewhat weaker than in the baseline scenario in 2008, but appreciates thereafter and reaches a somewhat stronger rate of NOK 7.64 against the euro in 2010, compared with 7.75 in the baseline scenario. The appreciation reflects lower inflation in Norway than in the euro area and a renewed rise in oil prices in 2010. Interest rates fall to a lower level in Norway than in the euro area, which has a reverse effect.

The downward revision of demand for Norwegian export goods results in markedly slower growth in exports in the alternative path than in the baseline scenario. In 2008, demand falls faster than exports, so that Norwegian enterprises take out a share of the gains associated with a weaker krone in the form of increased market shares. However, the newly acquired market shares are lost again in 2009, and more so, as a result of a stronger krone. Lower manufacturing production also results in weaker growth in manufacturing investment than in the baseline scenario.

Manufacturing employment declines at a slower rate than production, accompanied by a fall in labour productivity. Combined with lower export prices, this leads to lower growth in manufacturing wages, which has an impact on general wages since the manufacturing sector is assumed to be a wage leader. This also leads to lower domestic inflation, which is lower than the inflation assumption for the euro area. Real wage growth

Key macroeconomic variables. Percentage deviation from the baseline scenario unless otherwise stated

	2008	2009	2010
Consumption for households and non-profit institutions	-0.2	0.0	1.0
Mainland business investment	-0.3	-1.1	-1.5
Manufacturing	-0.2	-1.5	-2.2
Housing investmen	0.0	-0.3	-0.7
Exports	-0.7	-2.3	-3.3
TTraditional goods	-1.7	-5.6	-7.1
Imports	-0.5	-1.2	-1.0
Mainland GDP	-0.3	-0.9	-0.9
Manufacturing	-0.7	-2.5	-3.5
Number of employed	-0.1	-0.5	-0.8
Labour supply	0.0	-0.2	-0.4
Unemployment rate (level)	0.13	0.33	0.41
Wage per normal person-year	-0.2	-0.9	-1.7
Consumer price index (CPI)	-0.3	-0.8	-1.6
CPI-ATE	-0.1	-0.5	-1.4
Export prices, traditional goods	-2.1	-6.2	-6.9
Import prices, traditional goods	-1.5	-4.4	-5.1
House prices	-0.5	-1.8	-1.9
Household real disposable income	-0.2	0.5	2.0
Money market rate (level)	0.13	-1.18	-2.43
Import-weighted krone exchange rate	0.5	0.4	-1.2
Current account, in NOK billions	-51.5	-135.1	-136.6
Memorandum:			
Export market indicator	-4.2	-7.5	-10.1
Consumer price inflation in the euro area	-0.2	-0.6	-1.0
Three-moth euro interest rate (level)	0.0	-1.1	-1.9
Crude oil price in NOK	-54.4	-105.5	-72.9

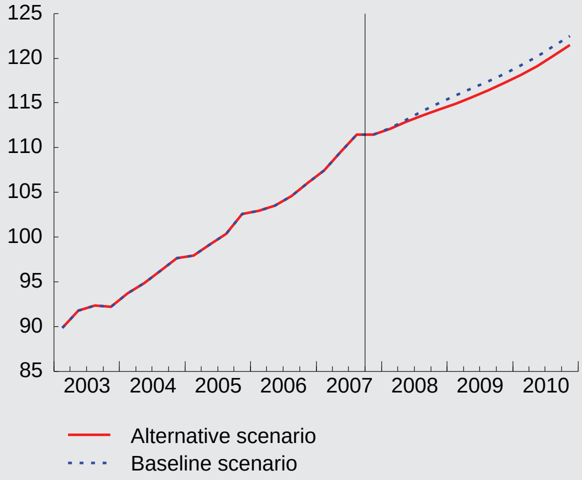
remains virtually unchanged in the period to 2010, but turns out to be clearly lower when we extend the path to 2011. All in all, employment declines by 20 000 in the period to 2010 compared with the baseline scenario. The labour force shrinks by 9 000, curbing the rise in unemployment which still rises by about 0.4 percentage point to 3.0 per cent in 2009.

Growth in household consumption is somewhat higher than in the baseline scenario in 2009 and 2010, primarily reflecting lower inflation and lower interest rates. In isolation, this generates positive demand impulses to Norwegian production. The impact on housing investment and house prices is limited, but both are somewhat lower than in the baseline scenario.

In the alternative scenario, the cyclical path for the Norwegian economy is more pronounced, with mainland GDP growing at a clearly slower rate than in the baseline scenario, particularly in 2009. Since consumption growth turns out to be higher, mainland GDP growth slows to a considerably smaller extent than manufacturing growth.

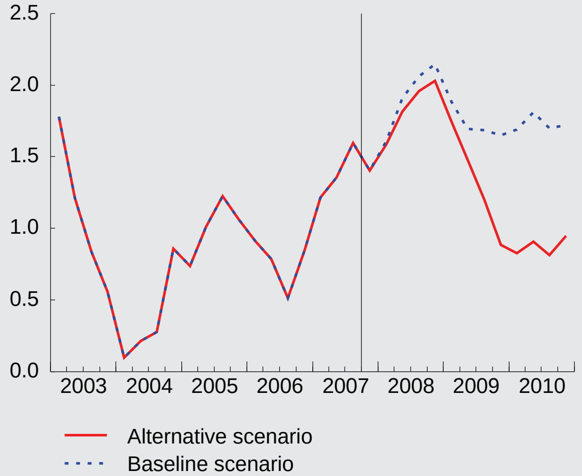
[1] See *Økonomiske analyser* 6/2006 (*Economic Survey* 3/2006) for a further description of the exchange rate model.

Gross domestic product, Mainland Norway
Seasonally adjusted volume indices, 2005=100



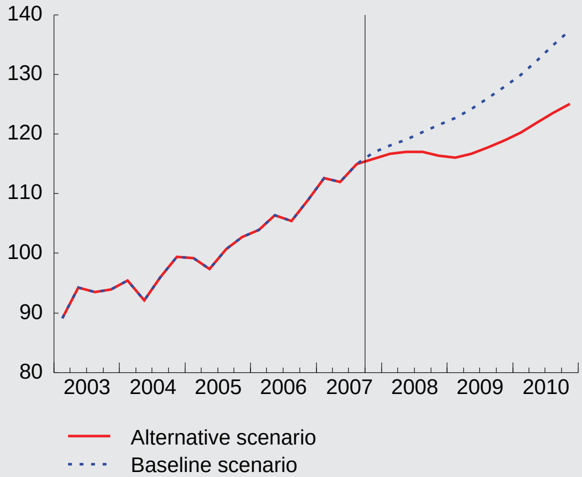
Source: Statistics Norway.

Consumer price index (CPI-ATE)
Percentage growth from the same quarter previous year



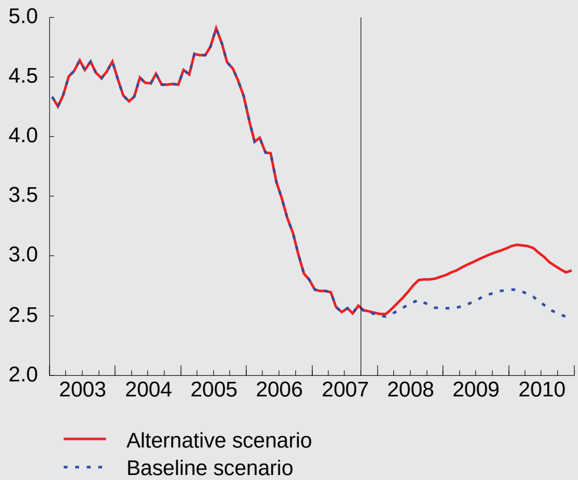
Source: Statistics Norway.

Exports
Seasonally adjusted volume indices, 2005=100



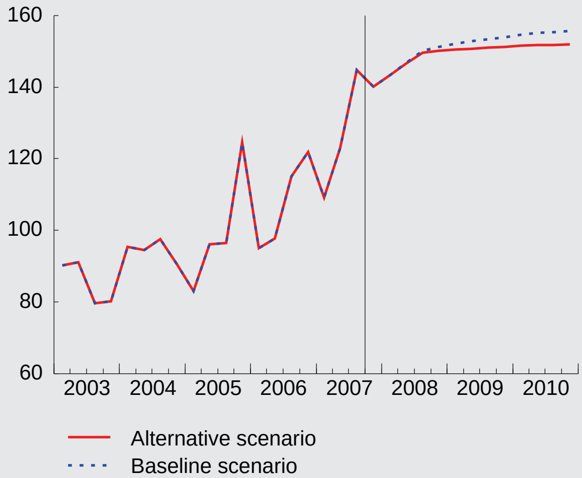
Source: Statistics Norway.

Unemployment
Seasonally adjusted and smoothed



Source: Statistics Norway.

Investment in manufacturing
Seasonally adjusted volume indices, 2005=100



Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product. At fixed 2005 prices. Million kroner

	Unadjusted		Seasonally adjusted							
	2005	2006	05.4	06.1	06.2	06.3	06.4	07.1	07.2	07.3
Final consumption expenditure of households and NPISHs	826 215	860 701	208 232	211 028	213 712	216 739	219 220	225 882	229 398	231 214
Household final consumption expenditure	792 530	824 806	199 558	202 193	204 794	207 722	210 085	216 630	220 042	221 687
Goods	412 047	429 251	103 270	105 158	106 758	108 197	109 436	113 789	115 148	116 275
Services	356 561	368 261	90 446	90 308	91 532	92 272	94 039	95 190	96 327	96 963
Direct purchases abroad by resident households	46 438	50 724	11 587	12 237	12 288	13 063	12 903	13 507	14 589	14 591
Direct purchases by non-residents	-22 516	-23 430	-5 745	-5 509	-5 785	-5 809	-6 293	-5 855	-6 023	-6 142
Final consumption expenditure of NPISHs	33 685	35 895	8 674	8 835	8 918	9 017	9 135	9 251	9 357	9 527
Final consumption expenditure of general government	387 186	398 965	97 374	98 517	99 398	100 149	100 827	101 566	102 483	103 620
Final consumption expenditure of central government	203 699	207 197	51 278	51 352	51 725	51 913	52 187	52 433	52 352	52 386
Central government, civilian	175 588	179 971	44 499	44 607	44 936	45 103	45 309	45 551	45 656	45 890
Central government, defence	28 111	27 226	6 778	6 745	6 789	6 810	6 878	6 882	6 697	6 496
Final consumption expenditure of local government	183 487	191 768	46 096	47 165	47 673	48 236	48 640	49 132	50 131	51 235
Gross fixed capital formation	365 564	389 501	99 743	91 833	99 255	98 066	99 960	99 131	102 026	104 940
Extraction and transport via pipelines	88 256	91 278	23 745	21 592	22 344	23 672	23 549	22 086	23 717	25 154
Service activities incidential to extraction	-1 002	-243	672	-731	-152	455	186	-402	12	-786
Ocean transport	13 076	13 790	4 570	3 575	4 305	4 702	1 131	3 935	3 520	4 489
Mainland Norway	265 234	284 675	70 756	67 397	72 758	69 237	75 094	73 512	74 776	76 083
Mainland Norway excluding general government	212 258	226 536	55 789	54 735	55 525	56 619	59 505	59 654	60 966	63 897
Industries	129 827	138 673	34 482	33 326	33 771	34 542	36 808	36 474	37 681	40 322
Manufacturing and mining	22 110	23 915	6 857	5 230	5 380	6 335	6 712	6 008	6 771	7 972
Production of other goods	22 631	25 324	5 366	5 903	6 522	6 580	6 275	6 253	6 940	7 142
Services	85 086	89 435	22 259	22 192	21 869	21 627	23 821	24 213	23 970	25 207
Dwellings (households)	82 431	87 862	21 307	21 409	21 754	22 077	22 696	23 180	23 285	23 575
General government	52 976	58 140	14 968	12 662	17 233	12 618	15 589	13 858	13 810	12 186
Changes in stocks and statistical discrepancies	46 461	58 675	14 568	15 613	12 826	15 961	14 830	6 788	12 409	13 292
Gross capital formation	412 025	448 176	114 310	107 446	112 081	114 027	114 790	105 919	114 435	118 232
Final domestic use of goods and services	1 625 426	1 707 842	419 916	416 992	425 191	430 915	434 837	433 366	446 316	453 067
Final demand from Mainland Norway	1 478 635	1 544 341	376 362	376 943	385 868	386 125	395 141	400 959	406 658	410 918
Final demand from general government	440 162	457 105	112 342	111 179	116 631	112 767	116 416	115 424	116 293	115 807
Total exports	868 352	872 977	216 494	217 941	216 449	216 571	221 859	225 095	219 122	224 850
Traditional goods	229 382	243 615	58 860	59 534	60 945	60 420	62 440	64 539	64 142	65 870
Crude oil and natural gas	427 927	399 603	104 824	103 503	99 325	99 425	97 532	101 528	95 137	97 828
Ships, oil platforms and planes	11 106	12 647	1 094	3 293	1 844	3 365	4 145	1 906	3 725	3 388
Services	199 937	217 112	51 715	51 611	54 334	53 360	57 743	57 123	56 118	57 764
Total use of goods and services	2 493 778	2 580 819	636 410	634 933	641 640	647 486	656 696	658 462	665 439	677 917
Total imports	548 062	593 208	144 219	141 213	148 151	148 341	155 279	154 203	156 109	161 576
Traditional goods	351 323	384 920	90 435	93 098	94 727	95 770	101 093	102 482	102 513	103 521
Crude oil and natural gas	3 871	1 899	1 716	549	231	222	936	766	1 849	663
Ships, oil platforms and planes	12 013	14 921	3 523	3 252	5 846	3 812	2 011	2 833	3 403	5 740
Services	180 855	191 468	48 545	44 315	47 347	48 536	51 238	48 122	48 344	51 652
Gross domestic product (market prices)	1 945 716	1 987 611	492 191	493 720	493 489	499 145	501 418	504 259	509 329	516 340
Gross domestic product Mainland Norway (market prices)	1 451 132	1 513 229	372 109	373 448	375 508	379 479	384 844	389 952	396 981	404 365
Petroleum activities and ocean transport	494 584	474 382	120 082	120 272	117 982	119 667	116 574	114 307	112 348	111 976
Mainland Norway (basic prices)	1 237 364	1 288 844	317 514	318 168	319 859	321 960	328 081	331 639	336 847	341 920
Mainland Norway excluding general government	960 399	1 005 989	248 091	248 130	249 303	251 087	256 731	259 596	264 243	268 606
Manufacturing and mining	173 283	181 123	44 021	44 270	44 817	45 296	46 669	46 927	46 780	47 309
Production of other goods	145 897	144 137	37 597	36 947	35 743	35 386	35 872	37 005	38 488	39 974
Services incl. dwellings (households)	641 219	680 729	166 473	166 913	168 742	170 405	174 190	175 664	178 975	181 324
General government	276 965	282 855	69 423	70 038	70 556	70 874	71 350	72 043	72 604	73 314
Correction items	213 768	224 385	54 595	55 279	55 649	57 518	56 762	58 313	60 134	62 445

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product. At fixed 2005 prices. Percentage change from the previous period

	Unadjusted		Seasonally adjusted							
	2005	2006	05.4	06.1	06.2	06.3	06.4	07.1	07.2	07.3
Final consumption expenditure of households and NPISHs	4.0	4.2	0.0	1.3	1.3	1.4	1.1	3.0	1.6	0.8
Household final consumption expenditure	4.1	4.1	-0.1	1.3	1.3	1.4	1.1	3.1	1.6	0.7
Goods	4.0	4.2	-0.9	1.8	1.5	1.3	1.1	4.0	1.2	1.0
Services	3.0	3.3	1.1	-0.2	1.4	0.8	1.9	1.2	1.2	0.7
Direct purchases abroad by resident households	13.8	9.2	-0.6	5.6	0.4	6.3	-1.2	4.7	8.0	0.0
Direct purchases by non-residents	3.9	4.1	3.6	-4.1	5.0	0.4	8.3	-7.0	2.9	2.0
Final consumption expenditure of NPISHs	2.4	6.6	1.9	1.9	0.9	1.1	1.3	1.3	1.1	1.8
Final consumption expenditure of general government	0.7	3.0	0.7	1.2	0.9	0.8	0.7	0.7	0.9	1.1
Final consumption expenditure of central government	0.2	1.7	0.8	0.1	0.7	0.4	0.5	0.5	-0.2	0.1
Central government, civilian	2.3	2.5	1.1	0.2	0.7	0.4	0.5	0.5	0.2	0.5
Central government, defence	-11.1	-3.1	-1.2	-0.5	0.7	0.3	1.0	0.1	-2.7	-3.0
Final consumption expenditure of local government	1.3	4.5	0.5	2.3	1.1	1.2	0.8	1.0	2.0	2.2
Gross fixed capital formation	13.3	6.5	11.7	-7.9	8.1	-1.2	1.9	-0.8	2.9	2.9
Extraction and transport via pipelines	18.8	3.4	10.1	-9.1	3.5	5.9	-0.5	-6.2	7.4	6.1
Service activities incidential to extraction	-134.3	-75.8	-728.3	-208.9	-79.2	-399.5	-59.2	-316.6	-102.9	..
Ocean transport	29.1	5.5	198.5	-21.8	20.4	9.2	-75.9	247.8	-10.5	27.5
Mainland Norway	12.7	7.3	6.7	-4.7	8.0	-4.8	8.5	-2.1	1.7	1.7
Mainland Norway excluding general government	15.9	6.7	4.0	-1.9	1.4	2.0	5.1	0.3	2.2	4.8
Industries	19.2	6.8	4.0	-3.4	1.3	2.3	6.6	-0.9	3.3	7.0
Manufacturing and mining	6.1	8.2	29.1	-23.7	2.9	17.7	6.0	-10.5	12.7	17.7
Production of other goods	19.8	11.9	-13.7	10.0	10.5	0.9	-4.6	-0.3	11.0	2.9
Services	23.0	5.1	2.9	-0.3	-1.5	-1.1	10.1	1.6	-1.0	5.2
Dwellings (households)	10.8	6.6	3.9	0.5	1.6	1.5	2.8	2.1	0.5	1.2
General government	1.3	9.7	18.5	-15.4	36.1	-26.8	23.5	-11.1	-0.3	-11.8
Changes in stocks and statistical discrepancies	22.1	26.3	-15.7	7.2	-17.9	24.4	-7.1	-54.2	82.8	7.1
Gross capital formation	14.1	8.8	7.3	-6.0	4.3	1.7	0.7	-7.7	8.0	3.3
Final domestic use of goods and services	5.5	5.1	2.0	-0.7	2.0	1.3	0.9	-0.3	3.0	1.5
Final demand from Mainland Norway	4.6	4.4	1.4	0.2	2.4	0.1	2.3	1.5	1.4	1.0
Final demand from general government	0.8	3.8	2.7	-1.0	4.9	-3.3	3.2	-0.9	0.8	-0.4
Total exports	1.1	0.5	-0.8	0.7	-0.7	0.1	2.4	1.5	-2.7	2.6
Traditional goods	5.0	6.2	2.0	1.1	2.4	-0.9	3.3	3.4	-0.6	2.7
Crude oil and natural gas	-5.0	-6.6	-2.0	-1.3	-4.0	0.1	-1.9	4.1	-6.3	2.8
Ships, oil platforms and planes	13.3	13.9	-68.3	200.9	-44.0	82.4	23.2	-54.0	95.5	-9.1
Services	7.3	8.6	3.3	-0.2	5.3	-1.8	8.2	-1.1	-1.8	2.9
Total use of goods and services	4.1	3.5	1.1	-0.2	1.1	0.9	1.4	0.3	1.1	1.9
Total imports	8.7	8.2	2.8	-2.1	4.9	0.1	4.7	-0.7	1.2	3.5
Traditional goods	8.1	9.6	-0.5	2.9	1.8	1.1	5.6	1.4	0.0	1.0
Crude oil and natural gas	55.3	-50.9	143.9	-68.0	-58.0	-3.5	320.9	-18.1	141.3	-64.1
Ships, oil platforms and planes	-10.8	24.2	12.0	-7.7	79.8	-34.8	-47.2	40.9	20.1	68.7
Services	11.0	5.9	6.6	-8.7	6.8	2.5	5.6	-6.1	0.5	6.8
Gross domestic product (market prices)	2.7	2.2	0.6	0.3	0.0	1.1	0.5	0.6	1.0	1.4
Gross domestic product Mainland Norway (market prices)	4.6	4.3	2.2	0.4	0.6	1.1	1.4	1.3	1.8	1.9
Petroleum activities and ocean transport	-3.8	-4.1	-4.2	0.2	-1.9	1.4	-2.6	-1.9	-1.7	-0.3
Mainland Norway (basic prices)	4.5	4.2	2.2	0.2	0.5	0.7	1.9	1.1	1.6	1.5
Mainland Norway excluding general government	5.2	4.7	2.7	0.0	0.5	0.7	2.2	1.1	1.8	1.7
Manufacturing and mining	4.2	4.5	0.9	0.6	1.2	1.1	3.0	0.6	-0.3	1.1
Production of other goods	7.8	-1.2	2.6	-1.7	-3.3	-1.0	1.4	3.2	4.0	3.9
Services incl. dwellings (households)	4.9	6.2	3.3	0.3	1.1	1.0	2.2	0.8	1.9	1.3
General government	2.0	2.1	0.2	0.9	0.7	0.5	0.7	1.0	0.8	1.0
Correction items	5.4	5.0	2.3	1.3	0.7	3.4	-1.3	2.7	3.1	3.8

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product. Price indices. 2005=100

	Unadjusted		Seasonally adjusted							
	2005	2006	05.4	06.1	06.2	06.3	06.4	07.1	07.2	07.3
Final consumption expenditure of households and NPISHs	100.0	102.1	100.6	101.0	101.9	102.5	103.1	102.3	102.2	102.5
Final consumption expenditure of general government	100.0	104.1	100.7	102.3	103.7	104.8	105.8	106.5	107.6	108.4
Gross fixed capital formation	100.0	104.4	100.5	101.7	103.2	105.4	106.8	107.6	110.4	111.3
Mainland Norway	100.0	104.2	100.5	102.4	102.9	105.3	106.1	107.2	109.0	109.9
Final domestic use of goods and services	100.0	103.2	100.4	101.3	103.5	104.1	103.6	104.8	105.9	105.6
Final demand from Mainland Norway	100.0	103.2	100.6	101.6	102.6	103.6	104.4	104.3	104.8	105.4
Total exports	100.0	115.2	109.1	116.5	113.6	114.4	116.3	114.6	118.5	115.8
Traditional goods	100.0	111.4	102.6	106.1	109.8	115.8	115.0	114.3	117.2	114.0
Total use of goods and services	100.0	107.2	103.4	106.5	106.9	107.6	107.9	108.1	110.1	109.0
Total imports	100.0	103.2	100.6	100.6	100.9	104.0	107.0	106.9	107.9	106.5
Traditional goods	100.0	104.7	100.1	102.3	102.1	105.2	109.2	109.0	110.1	108.3
Gross domestic product (market prices)	100.0	108.5	104.2	108.2	108.7	108.6	108.2	108.5	110.7	109.8
Gross domestic product Mainland Norway (market prices)	100.0	103.7	101.3	102.3	103.9	104.1	104.2	105.9	106.0	105.3

Source: Statistics Norway.

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

	Unadjusted		Seasonally adjusted							
	2005	2006	05.4	06.1	06.2	06.3	06.4	07.1	07.2	07.3
Final consumption expenditure of households and NPISHs	1.1	2.1	0.0	0.5	0.8	0.6	0.5	-0.8	-0.1	0.3
Final consumption expenditure of general government	3.0	4.1	0.2	1.5	1.5	1.0	1.0	0.7	1.0	0.7
Gross fixed capital formation	2.7	4.4	-0.5	1.2	1.4	2.2	1.3	0.7	2.6	0.8
Mainland Norway	2.3	4.2	-0.6	1.9	0.5	2.3	0.7	1.1	1.7	0.8
Final domestic use of goods and services	2.1	3.2	-0.3	0.9	2.1	0.6	-0.4	1.1	1.1	-0.3
Final demand from Mainland Norway	1.8	3.0	-0.1	1.0	0.9	1.0	0.7	-0.1	0.5	0.5
Total exports	17.3	15.2	7.1	6.7	-2.5	0.7	1.7	-1.5	3.4	-2.3
Traditional goods	4.1	11.4	0.2	3.4	3.5	5.4	-0.6	-0.6	2.5	-2.7
Total use of goods and services	6.9	7.2	2.2	3.1	0.3	0.6	0.3	0.2	1.8	-0.9
Total imports	1.5	3.2	0.4	0.0	0.3	3.1	2.9	-0.1	1.0	-1.3
Traditional goods	0.5	4.7	-0.3	2.2	-0.2	3.0	3.8	-0.2	1.1	-1.7
Gross domestic product (market prices)	8.7	8.5	2.7	3.9	0.4	-0.1	-0.4	0.3	2.0	-0.8
Gross domestic product Mainland Norway (market prices)	2.3	3.7	0.9	1.0	1.6	0.2	0.1	1.6	0.1	-0.7

Source: Statistics Norway.