

Economic trends

The cyclical upturn in the Norwegian economic has continued into 2007. GDP growth remains high and there are no signs of slower growth. Growth in employment and the labour force is strong. Unemployment fell sharply through 2006 and has been low and stable since the beginning of 2007. Lower unemployment rates have not been recorded since the 1980s. Inflation is low, but edging up. Global commodity prices, including crude oil prices, remain at very high levels. This is contributing to sustaining the large surpluses on the central government budget and the current account. As a result, the value of the Government Pension Fund – Global is rising rapidly. According to the Revised National Budget for 2007, Norway will spend less than the expected real return on the capital in the Fund for the first time since the fiscal rule was introduced. This means that Norway is not only saving the totality of current government petroleum revenues, but also a fraction of the expected real return on the Fund. This is in line with fiscal rule given the cyclical situation. Against the background of a pronounced cyclical upswing in the Norwegian economy, Norges Bank has gradually increased its key policy rate over the past two years.

Global growth has been very high in recent periods. Growth rates are particularly high in many Asian countries. In the euro area, growth picked up markedly through 2006 after a longer period of weak growth. In the US, however, growth has been sluggish over a few quarters after several years of above-trend growth. Growth in the US is expected to continue on a weak trend and contribute to dampening overall growth in the OECD area ahead. However, we assume that the slowdown in growth will be moderate and that a cyclical downturn will be mild compared with previous downturns. As a result, the fall in Norwegian exports prices will be more moderate compared with a more pronounced global downturn.

Growth in petroleum investment a few years ahead has been revised up once again. In isolation, this results in somewhat stronger growth in the economy than projected earlier. In line with the Government's signals in the Revised National Budget for 2007, fiscal policy is assumed to be oriented so that the central government budget deficit will not be the same as the entire return on the Government Pension Fund – Global. We assume that real growth in the large expenditure components in government budgets will be in line with projected trend growth in the economy. We assume that Norges Bank will raise the sight deposit rate gradually up to 5 per cent at the beginning of 2008 and to keep it at that level to the end of the projection period. Since the interest rate level in the euro area is assumed to increase by only a small margin from today's level and to edge down again in 2008, the interest rate differential against the euro area will show a clear increase. As a result, the krone is expected to appreciate against the euro from 2008. This will curb growth to some extent in Norway and restrain the rise in inflation to only a little higher than the current level.

Our estimations indicate that unemployment will remain very low for several years ahead. With only moderate changes in Norway's terms of trade, corporate profitability will remain solid even if wage growth accelerates. Growth on a par with trend growth ahead implies that the labour force must continue to increase even with higher labour force participation rates for more marginal groups in the labour market. Such a strengthening of productivity in the economy will make an important contribution to the sustainability of public finances in the long term and reduce the vulnerability of the economy to unexpected changes in the size of the Government Pension Fund – Global.

Cyclical developments in Norway

Output growth in the Norwegian economy continued at a fast pace in the first quarter of 2007. So far, there are no signs of moderation of the cyclical upturn. Growth in mainland domestic and external demand remains high. The same applies to unemployment growth. Registered unemployment has again shown a clear fall into 2007, while the decline according to the Labour Force Survey (LFS) has flattened out. Unemployment has not been this low for 20 years. Growth in the labour force remains on a par with the growth rate recorded in 2006. Wage growth appears to be rising, but growth at the beginning of 2007 must be seen in connection with the timing of the main settlement since pay increases are normally disbursed in

the period following the settlement. Inflation, adjusted for tax changes and excluding energy products, is edging up. Both wage growth and price inflation are projected to move up in the coming quarters in 2007, while unemployment is expected to show little change.

The change in car taxes boosted car purchases, resulting in vigorous growth in household consumption in the first quarter of 2007. Growth in consumption is likely to be somewhat lower in the period ahead, while annual growth in 2007 will probably be somewhat higher than in 2006. Fixed capital investment shows more random variations, with a weak fall in the

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

			Seasonally adjusted			
	2005	2006	06:2	06:3	06:4	07:1
Demand and output						
Consumption in households etc.	3.3	4.4	1.5	0.9	1.0	2.9
General government consumption	1.8	3.3	0.6	0.7	0.6	1.3
Gross fixed investment	11.2	7.4	8.3	- 0.3	2.4	- 0.7
Mainland Norway	9.1	8.0	8.4	- 4.1	7.2	- 1.2
Extraction and transport via pipelines	19.1	4.4	3.3	9.2	- 0.7	- 5.9
Final domestic demand from Mainland Norway ¹	3.9	4.7	2.5	- 0.1	2.0	1.7
Exports	0.7	1.6	- 0.4	1.3	1.5	2.5
Crude oil and natural gas	-5.0	-6.5	- 4.0	0.3	- 1.6	3.6
Traditional goods	5.2	5.9	2.2	0.5	2.6	3.7
Imports	8.6	8.2	4.4	0.4	3.0	0.6
Traditional goods	8.2	9.7	1.9	1.2	5.8	2.3
Gross domestic product	2.7	2.8	0.1	1.7	0.3	0.7
Mainland Norway	4.5	4.6	0.8	1.6	1.0	1.4
Labour market						
Man-hours worked	1.2	2.1	0.9	0.7	0.8	0.6
Employed persons	1.0	3.1	1.0	1.0	0.6	0.8
Labour force ²	1.1	1.8	0.9	0.4	0.2	0.6
Unemployment rate, level ³	4.6	3.4	3.8	3.3	2.9	2.7
Prices and wages						
Wages per standard man-year ⁴	4.0	4.3	3.9	4.9	5.2	5.4
Consumer price index (CPI) ⁴	1.6	2.3	2.4	2.2	2.5	1.0
CPI adjusted for tax changes and excluding energy products (CPI-ATE) ⁴	1.0	0.8	0.8	0.5	0.8	1.2
Export prices, traditional goods	4.0	11.7	3.7	3.2	0.9	- 0.6
Import prices, traditional goods	0.4	4.7	- 0.2	2.1	4.2	0.2
Balance of payment						
Current balance, bill. NOK	300.8	359.2	89.3	93.5	91.3	..
Memorandum items (unadjusted level)						
Money market rate (3 month NIBOR)	2.2	3.1	2.9	3.2	3.6	4.2
Lending rate, banks ⁵	3.9	4.3	4.2	4.4	4.7	5.3
Crude oil price NOK ⁶	351.4	413.8	432.2	434.6	380.7	360.4
Importweighted krone exchange rate, 44 countries, 1995=100	91.8	92.5	89.8	92.2	94.7	93.2
NOK per euro	8.01	8.05	7.83	8.06	8.27	8.17

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.

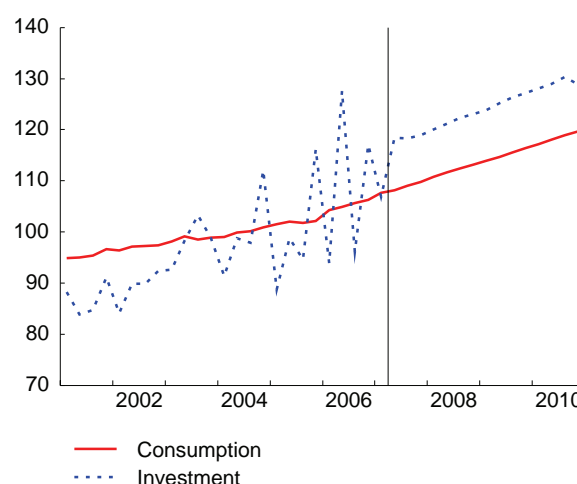
first quarter of this year. However, the underlying tendency shows a continued increase and high growth in housing investment pushed up the overall figure. Total exports and mainland exports are expanding at a faster pace than projected earlier. Growth in service exports (excluding shipping services) has been particularly high. Growth in imports is also high. Growth in traditional goods imports, which is often a good coincident cyclical indicator, supports the impression that the cyclical upturn has continued into 2007. Against this background, our growth forecast for the Norwegian economy has been revised up for 2007 as a whole.

Monetary policy has gradually been tightened through interest rate hikes. We assume that the tightening will continue through this year until the interest rate level has reached a more «normal» level as signalled by Norges Bank. Such an interest rate path is also in line with Norges Bank's response pattern since the introduction of the new monetary policy rules in 2001, with a simple interest rate rule that gives weight to inflation, pressures in the real economy in Norway (as measured by unemployment) and the external interest rate level. Higher interest rates will curb growth in the economy and consumption and will also restrain the rise in housing investment and house prices. The strong growth in incomes as a result of high real wage growth and employment works in the opposite direction.

Global growth is projected to slow somewhat in the period ahead. Slower growth in markets for Norwegian exports will lead to lower export growth in Norway. A tighter monetary stance with a wider interest rate differential against the euro area will contribute to a gradual appreciation of the krone, resulting in a weakening of Norwegian enterprises' price competitiveness. This will have a dampening impact on growth in the Norwegian economy ahead. Upside factors are high oil prices and strong growth in petroleum investment. New projections a few years ahead indicate that petroleum investment may show a stronger increase than projected earlier. This will hold up growth in the Norwegian economy and sustain employment growth and keep unemployment low up to 2010. In isolation, this contributes to high real wage growth ahead. Against the background of the projected moderate cyclical downturn in the world economy, Norway's terms of trade are not expected to weaken significantly in the years ahead.

According to the Revised National Budget for 2007 (RNB), the central government budget deficit will be lower than 4 per cent of the capital in the Government Pension Fund – Global at the beginning of 2007. The Government has also signalled that this may also be the case ahead should the cyclical situation so warrant. As in the previous report, we have therefore assumed that growth in general government spending

General government
Seasonally adjusted volume indices, 2004=100



Source: Statistics Norway.

will be close to estimated trend growth for the mainland economy, and the real tax level is held approximately constant. With as strong growth in the Government Pension Fund as estimated in the RNB, our assumptions imply that only 3 per cent of the Fund's capital is used at the beginning of 2010.

A neutral fiscal stand ahead?

In the RNB, real growth in central government spending is estimated at 3¾ per cent between 2006 and 2007. Growth has been revised up slightly in relation to previous estimates, primarily reflecting lower-than-estimated expenditure in the central government accounts for 2006. Adjusted for cyclical conditions and extraordinary accounting factors, the estimates show that the Government is now budgeting with a lower central government budget deficit in 2007 than the expected real return on the Government Pension Fund – Global. This is in line with the fiscal rule which stipulates that the cyclical situation should be taken into account when drawing up fiscal policy. In the RNB, general government consumption is estimated to increase by a good 3 per cent in 2007, i.e. a small upward revision in relation to earlier growth estimates. General government gross investment is estimated to increase by 7.4 per cent in 2007, bringing growth in total public purchases of goods and services to 3.7 per cent. Transfers to households are estimated to increase by 5.5 per cent in 2007, and combined with low CPI inflation in 2007, results in strong growth in household real disposable income. Our estimates for developments in these main public expenditure components are approximately on a par with the estimates in the RNB and are only revised up marginally in relation to the estimates in the previous report.

Despite a structural, non-oil budget deficit that appears to be smaller than 4 per cent of the Government Pension Fund – Global in 2007, fiscal policy still generates a positive stimulus to the Norwegian economy

Effects of adhering to the fiscal policy rule

As mentioned in the report, our projections are based on an approximately neutral fiscal policy. This implies lower petroleum revenue spending than implied in isolation by the room provided under the fiscal policy rule. In the following, we present short-term and medium-term effects of strict adherence to the 4 per cent rule in fiscal policy rather than the neutral stance assumed. Petroleum revenue spending is projected at about NOK 10 billion at 2004-NOK in 2008 below the level implied by strict adherence to the fiscal rule.

The effects of a higher level of petroleum revenue spending depend entirely on how the money is spent. We have looked at the effects of two stylised alternative spending scenarios: Either there is only an increase in general government investment or a proportional increase in general government investment, intermediate consumption and employment. The calculations are made using an expanded version of our macroeconomic model KVARTS. In this version, interest rate setting is determined by a separate relationship that is estimated on the basis of 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 pressure in the real economy builds up. Pressure is measured by the LFS unemployment rate so that lower unemployment results in a higher interest rate. The expansionary impulses to which the economy is exposed in relation to the baseline scenario are thus curbed by monetary policy. Higher interest rates counteract the inflationary impulses from higher capacity utilization, primarily because the exchange rate appreciates. A stronger krone reduces prices for imported goods and dampens wage growth because manufacturing profitability in isolation is weakened. Higher interest rates also have a dampening impact on household demand.

In the scenario where increased petroleum revenue spending is only used for investment, a fairly large share of the increase in demand will initially be covered by imports. When spending in the other scenario is also used for employment and intermediate consumption in the public sector, the import leakage is considerable smaller. Moreover, intermediate consumption in the public sector always has considerably lower import content than investment. Changes in public employment have the strongest effect on the

labour market in that they feed fully through to demand for labour and thereby labour market pressures. An increase in public employment also has the direct effect of increasing household wage income and thereby stimulates household demand. This explains why such an increase in demand has a far more expansionary impact than an increase that is only linked to investment, even if volume of spending is the same.

In the scenario with higher investment, mainland GDP gradually increases and in 2010 the level is 1.1 per cent higher than in the baseline scenario. A portion of investment demand is accounted for by manufacturing so that manufacturing production actually increase slightly despite a small fall in exports as a result of weaker cost competitiveness relative to other countries. Unemployment falls by 0.1 percentage point annually in relation to the baseline scenario. The price level remains virtually unchanged, while the wage level increases by 0.6 per cent in 2010. The interest rate increases gradually and is 0.3 percentage point higher in 2010, while the krone then appreciates by 1 per cent in relation to the baseline scenario. The reason why general government consumption increases in this calculation is that the capital stock in the general government sector increases and hence estimated capital consumption which is a component of public production and consumption.

In the scenario with a general increase in public purchases of goods and services, the effects on production are more pronounced and in 2010 mainland GDP increases by 1.6 per cent, despite the fact that weaker competitiveness has contributed to reducing value added in manufacturing by 1.1 per cent. In this scenario, unemployment shows a far steeper fall and is 0.8 percentage point lower in 2010 than in the baseline scenario, i.e. a decline of 1.7 per cent. The wage level rises by 1.7 per cent in 2010, but with the pronounced effects on unemployment, the effects on the wage level are far from exhausted in 2010. The interest rate in this scenario increases by 0.8 percentage point to about 6 per cent and the krone appreciates by 3.2 per cent in relation to the baseline scenario. At the end of 2010, the krone stands at 7.40 against the euro compared with 7.70 in the baseline scenario.

Effects of «adhering to» the fiscal policy rule. Percentage difference in relation to baseline scenario unless otherwise stated

	Increased public investment			Increased public consumption and investment		
	2008	2009	2010	2008	2009	2010
General government investment	16.6	32.0	46.7	2.5	5.0	7.7
General government consumption	0.0	0.2	0.6	2.0	4.1	6.3
Household consumption	0.1	0.1	0.3	0.2	0.3	0.5
Investment, mainland industries	0.3	0.8	1.4	0.2	0.5	0.9
Exports, traditional goods	-0.1	-0.3	-0.6	-0.4	-0.9	-1.4
Imports	0.6	1.3	2.0	0.3	0.8	1.4
Mainland GDP	0.4	0.7	1.1	0.5	1.0	1.6
- Manufacturing	0.2	0.3	0.2	-0.1	-0.4	-1.1
Unemployment rate (percentage point)	-0.1	-0.2	-0.3	-0.3	-0.5	-0.8
Wage level	0.2	0.4	0.6	0.6	1.2	1.7
Inflation (CPI-ATE)	0.0	0.0	-0.1	0.0	0.0	-0.1
Money market rate (percentage point)	0.1	0.1	0.3	0.2	0.5	0.8
Krone exchange rate (positive figures denote weaker NOK)	-0.2	-0.6	-1.0	-0.9	-1.8	-3.2

because real expenditure growth is somewhat higher than estimated GDP trend growth for the mainland economy. According to the RNB, the expansionary impetus is estimated at a half per cent of mainland GDP in 2007.

For 2008, there is no approved policy on which we can base our projections for fiscal policy, but in the light of the cyclical situation, it is reasonable to assume that the Government will again in 2008 secure a structural, non-oil budget deficit that is smaller than 4 per cent of the Government Pension Fund at the beginning of 2008. We therefore assume that the structural, non-oil budget deficit as a percentage of mainland GDP will not increase above the 2007-level, which can be considered a cyclically neutral budget programme. On this basis, growth in public purchases of goods and services is put at about 3 per cent, on the assumption of unchanged real tax rates. This brings the structural, non-oil budget deficit in 2008 to about NOK 70 billion at 2007 prices, which is equivalent to 3.4 per cent of the capital in the Fund at the beginning of 2008. We assume that this budget policy will continue in 2009 and 2010. The structural, non-oil budget deficit in 2010 will then be equivalent to about 3 per cent of the estimated capital in the Fund at the beginning of that year. Overall real tax rates are assumed to remain unchanged through the entire period.

In a box in this report, we calculate the effects of using petroleum revenues to increase investment in infrastructure or consumption in Norway instead of investing a rising share of the return on the Fund in financial assets, so that the structural, non-oil budget deficit in the period 2008-2010 is equivalent to 4 per cent of the estimated capital in the Fund at the beginning of each fiscal year.

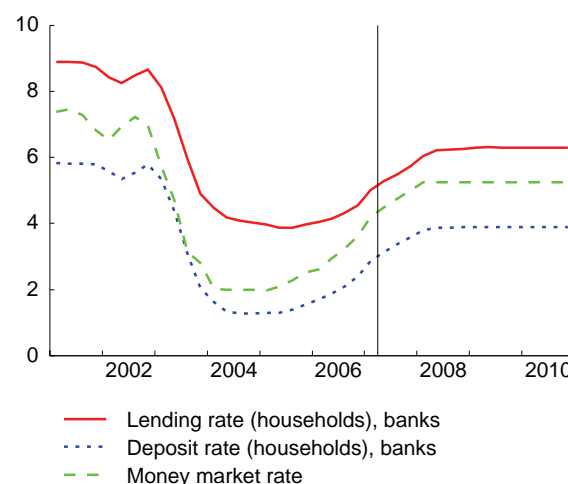
Monetary policy tightening

In interest-rate setting, Norges Bank shall strike a balance between stabilizing inflation, output and employment. The operational target of monetary policy is annual consumer price inflation of close to 2.5 per cent over time. Low inflation in recent years largely reflects supply-side shocks from falling prices for some imports and high productivity growth. Such shocks can lead both to low inflation and high capacity utilization. Norges Bank must then assess the trade-off in monetary policy between stabilizing inflation in relation to the operational target and stabilizing developments in output and employment.

Since March 2004, Norges Bank has raised its key policy rate gradually from 1.75 per cent to 4 per cent in March 2007. We assume that interest rates will continue to rise to 5 per cent around year-end. This implies six interest rate hikes of 0.25 percentage point each from the beginning of 2007. Money market rates are assumed to follow the key rate with a premium of

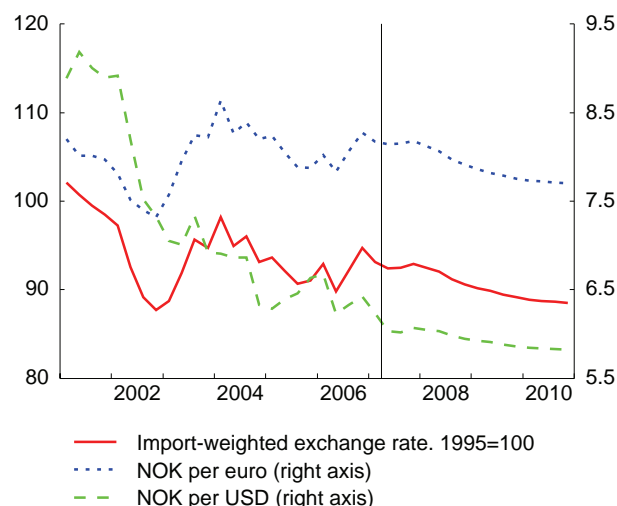
Norwegian interest rates

Per cent



Source: Norges Bank and Statistics Norway.

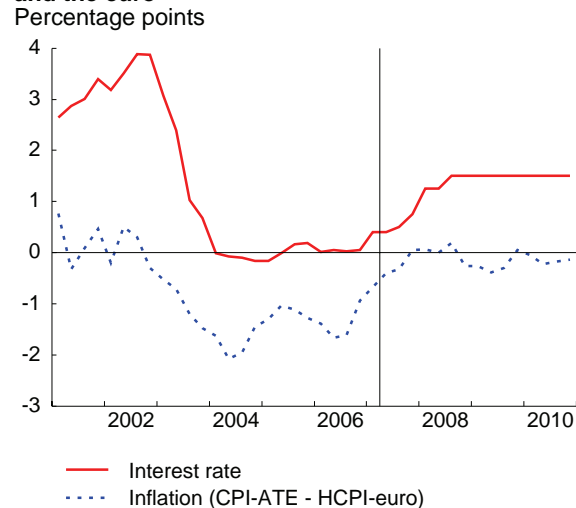
Exchange rates



Source: Norges Bank.

Interest rate and inflation differential between NOK and the euro

Percentage points



Source: Norges Bank and Statistics Norway.

0.25 percentage point, and are expected to stabilize at around 5.25 per cent from the beginning of 2008. We assume that interest rates will remain at this level to the end of the projection period. With this interest rate path, banks' lending rate will near 6.3 per cent over the next year.

The consumer prices index adjusted for tax changes and excluding energy products (CPI-ATE) was 0.8 per cent higher in 2006 than in 2005. Since the beginning of the year, the 12-month rise in the CPI-ATE has shown an upward tendency, and was 1.4 per cent in April 2007. On annual basis, CPI-ATE inflation is projected to be 1.6 per cent higher in 2007 than in 2006 and a little lower than 2 per cent through the projection period.

Domestic credit growth, as measured by 12-month growth in private sector gross debt (C2), was 14.5 per cent in March 2007. Credit growth has hovered around this level over the past 18 months. Growth in credit to households slowed somewhat during the same period. While the 12-month rate of growth in household gross debt was 13.4 per cent in March 2006, the figures for March this year show growth of 11.9 per cent. This is the lowest 12-month growth rate since May 2005. Growth is nonetheless very high and considerably higher than income growth, which means that household gross debt as a percentage of income is still rising.

The European Central Bank (ECB) raised its official policy rate by 0.25 percentage point to 3.75 per cent in March this year. We assume that there will be a further interest rate hike in the euro area this year, followed by a reduction of a total of 0.5 percentage point in 2008 as a result of slower growth in the euro area.

Our interest rate forecasts for the euro area and Norway imply a 1 percentage point widening of the interest rate differential in the course of 2007 and 1.5 percentage point in 2008. The increase in the differential will result in a stronger krone, which will remain strong through the remainder of the projection period. In 2007, the krone exchange rate is put at about 8.15 against the euro, appreciating gradually to 7.70 against the euro in 2010. The import-weighted krone exchange rate, measured using weights based on the composition of Norwegian imports, will appreciate by around 1.5 per cent annually in the projection period.

Strong impulses from oil investment

Revised quarterly national accounts (QNA) figures show that the volume of investment in extraction and pipeline transport increased by a good 4 per cent between 2005 and 2006, i.e. a clear downward adjustment compared with our previous projection. Investment in the first quarter is a good 5 per cent higher than the level four quarters earlier. Investment is pro-

jected to show a relatively strong increase during the projection period, rising by a little more than 6 per cent in 2007 and thereafter 10 per cent annually. High oil prices, promising exploration fields and higher capacity in the rig market are important factors behind the projection. The projections for growth in the years 2008-2010 have been revised up substantially, and the investment level in 2010 is now almost 20 per cent higher than projected earlier. This will generate a growth impulse equivalent to about 1 per cent of GDP.

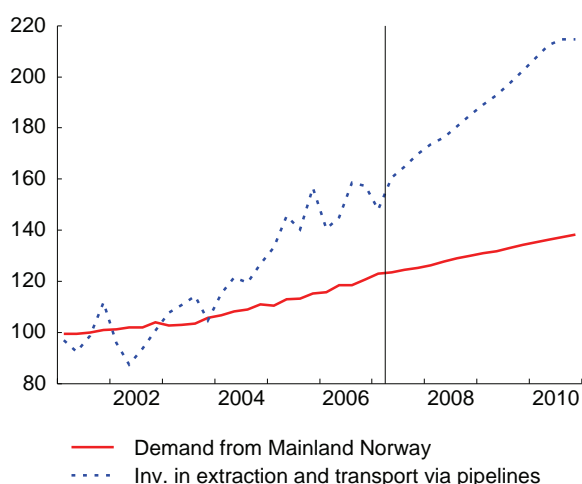
Statistics Norway's latest investment intentions survey shows that oil companies plan to invest substantially more in exploration in 2007 than in 2006. As a result of a shortage of rig capacity, the entire planned exploration will probably not be realized, but postponements and a period of rising rig capacity will push up exploration further through the projection period. The projection is based on relatively positive exploration results in 2007, and the viable Nucula find east of Goliat seems to have boosted optimism concerning the potential in the Barents Sea. Investment in fields in operation is also expected to show a marked increase ahead. To a large extent, investment in these fields is geared towards increasing extraction in the tail production phase at existing fields. This is costly, but still clearly profitable at today's oil prices. New finds in the proximity of existing field are also expected to contribute to increasing investment linked to existing infrastructure. As Snøhvit, Ormen Lange, Alvheim and Statfjord Senfase, among others, are completed, further investments in these fields will be classified as investment in fields in operation. Gjøa, Vega, Tyrihans, Goliat, Troll Fase 3 and Snøhvit Olje are among the first new fields that are expected to be developed either in part or in full during the projection period. In addition, several smaller field development projects are likely to be initiated. The upswing in field development activity over the past two years therefore seems to be continuing.

After three years of very high investments in Nyhamna and Melkøya, the completion of these projects are expected to contribute to a clear fall in onshore investment ahead. Investment in pipeline transport is also expected to fall in 2007 and 2008, and then to edge up again further out in the projection period. A new gas pipeline from Kollsnes may push up these investments further.

The path for oil- and gas-related investment will contribute to sustaining the boom. As early as 2007, investment volumes are expected to be higher than in the previous peak-year 1998. The relative impact will still be less pronounced during the projection period than at that time. Measured as a percentage of mainland GDP, investment came to about 8 per cent in 1998 and is now expected to increase from more than 6 per cent in 2006 to a little more than 7 per cent in 2010.

Domestic demand

Seasonally adjusted volume indices, 2004=100



Source: Statistics Norway.

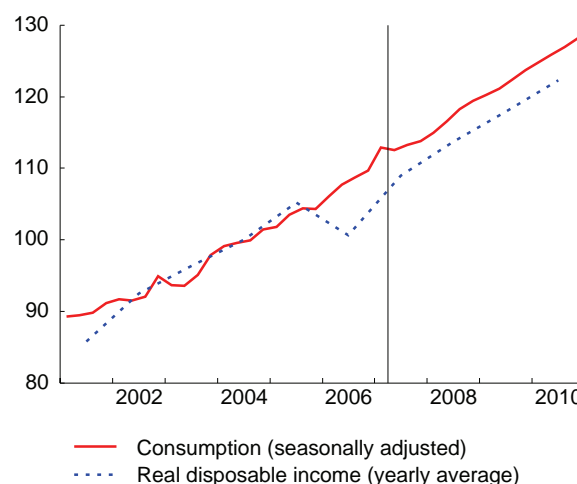
Oil and gas production has exhibited a weak trend in recent years. Oil production has declined markedly since the peak in 2001, and production has not been lower at constant 2004 prices since 1993. Production fell further in the first quarter of 2007, when it was almost 7 per cent lower than in the same quarter of 2006. We assume that the decline will gradually come to halt, and shift to a moderate increase in 2008. Even if the tail production of oil is rising and production is starting at new fields, we believe this is not sufficient to offset the expected production fall at the large, mature fields. Oil production is thus expected to fall again in both 2009 and 2010. Even though gas production was somewhat lower in the first quarter of 2007 than in the same quarter one year earlier, production at both existing and new fields is expected to contribute to a renewed rise in gas production. With Ormen Lange in operation, production will jump up next year, and then increase at a more moderate pace thereafter. All in all, oil and gas production is estimated to fall by a little more than 3 per cent this year. In 2008, total petroleum production is expected to increase by close to 6 per cent and remain unchanged in the period to end-2010.

Continued high consumption growth

Seasonally adjusted QNA figures show that consumption for households and non-profit institutions rose by as much as 2.9 per cent in the first quarter of this year compared with the previous quarter. Goods consumption increased by as much as 4.2 per cent, making a considerable contribution to the increase in consumption in the first three months of the year. Consumption of services showed more moderate growth of 0.7 per cent in the same period. Consumption increased for most groups of goods, but spending on clothing and footwear and car purchases made a particularly large contribution to growth in goods consumption. The change in car taxes at the beginning of the year probably had the transient effect of pushing up car

Income and consumption in households

Volume indices, 2004=100



Source: Statistics Norway.

purchases. So far this year, car purchases have shown a marked fall. Excluding car purchases, growth in household consumption was 2.4 per cent. The strong growth in consumption in recent years has thus continued so far in 2007 and accelerated again. On an annual basis, consumption growth is projected at about 4.5 per cent in 2007.

Consumption grew by 4.4 per cent in 2006, or about 1 percentage point faster than in 2005. Consumption growth in 2006 must be seen in the light of high underlying income growth and the pronounced fall in real interest rates (after tax) since 2002. Excluding dividend payments, which stimulate consumption to only a limited extent, real income growth was 2.6 per cent in 2006 (see table). Including dividend payments, the saving ratio fell to a historically low level of 1.3 per cent in 2006, from a high level of around 9 per cent in the previous year. Tax adaptations to the reintroduction of dividend tax in 2006 explain this change in the saving ratio.

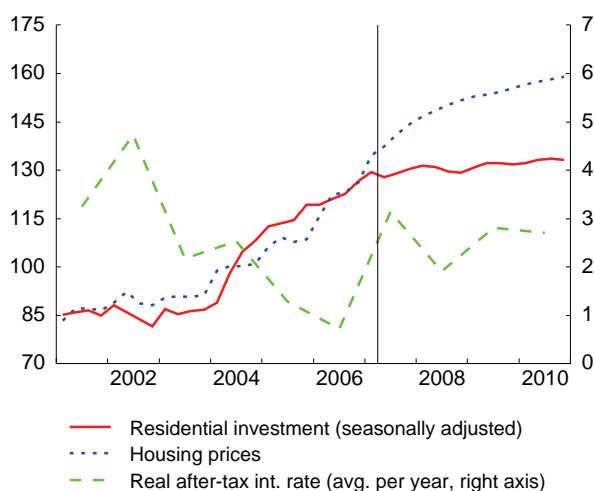
Growth in household real disposable income is now projected at as high as 8.5 per cent in 2007 and around 4 per cent as an average for the remainder of the projection period. Also when excluding dividend payment, income growth will be high in the period ahead, reflecting strong growth in wage and self-employment income and public transfers. Relatively low consumer price inflation, particularly in 2007, will push up real growth in household income. The household debt-to-asset ratio will increase somewhat through the projection period. In conjunction with a continued rise in interest rates, this will translate into

Household real disposable income. Percentage growth from the previous year

	2006	2007	2008	2009	2010
Total	-4.3	8.3	4.3	3.7	3.7
Excl. dividends	2.6	7.2	3.3	3.3	3.3

Residential market

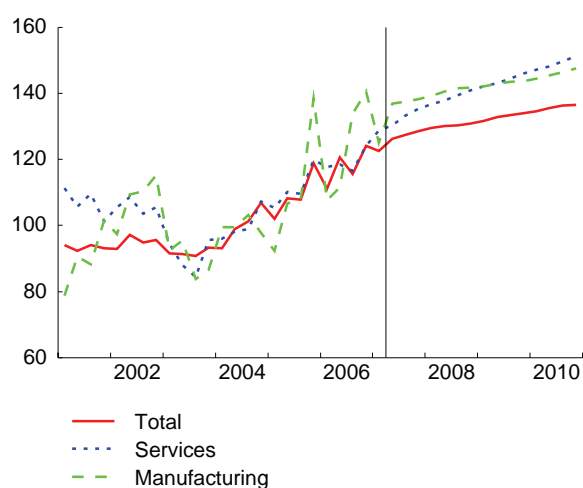
Left axis adj. indices, 2004=100, right axis per cent



Source: Statistics Norway.

Investment, Mainland Norway

Seasonally adjusted volume indices, 2004=100



Source: Statistics Norway.

low net interest income, which will push down growth in disposable income. Higher direct taxes will also push down growth in disposable income ahead. The real interest rate is assumed to be around 3.5 per cent in 2007, i.e. markedly higher than in the previous two years, and then to fall to a level of around 2 per cent in 2008. In the last two years of the projection period, the real interest rate is assumed to hover around a level of 3 per cent. All in all, the income and interest rate assumptions result in a path for consumption growth of close to 4 per cent in the coming years.

Our projections imply an increase in the saving rate from 1.3 per cent in 2006 to around 5 per cent in the projection period. The increase in the level of saving is reflected in a sharp increase in household net lending. Measured at constant prices, household net lending will increase from - NOK 52 billion in 2006 to - NOK 16 billion in 2010. However, the bulk of the increase is ascribable to dividend payments to households, which is expected to show a marked rise in line with developments in the business sector and the wider economy. At the same time, households will probably continue to shift portions of their assets out of financial capital and into real capital, which will be reflected in continued high levels of housing investment ahead.

... and high level of housing investment

In line with the high level of residential construction in recent years, QNA figures show that households' housing investment continued to expand, by 6.5 per cent in 2006 compared with as high as 14.5 per cent in 2005. Growth continued into the first quarter of this year and was 2.2 per cent according to seasonally adjusted QNA figures. The main driving forces behind the vigorous growth in housing investment since the end of 2003 have been strong real income growth,

lower real interest rates and a sharp rise in prices for existing dwellings.

High and rising housing starts through the fourth quarter of 2006 and the first quarter of this year, combined with continued strong growth in disposable income, suggest that housing investment will remain at high level through the projection period. Housing capital is now at a historically very high level, however. Coupled with higher real interest rates, this will contribute to restraining both housing investment and house price inflation ahead. Housing investment is now projected to increase by around 5.5 per cent in 2007, and then to flatten further through the remainder of the projection period. Prices for existing dwellings are projected to rise by around 14 per cent in 2007, followed by a fall, although the rise in real prices will still be positive in 2010.

Buoyant investment growth

The strong rate of growth in gross investment has persisted over a longer period than projected in previous analyses, and new national accounts figures indicate that the upswing has continued into 2007. Seasonally adjusted investment figures from the QNA show a fairly volatile picture, and mainland investment dipped in the first quarter of this year, after expanding sharply in the previous quarter. Mainland business investment showed an annual increase of 8.5 per cent in 2006, while investment was 10.1 per cent higher in the first quarter of this year than in the same quarter one year earlier. Four-quarter growth in investment in manufacturing and private services was high in the first quarter of 2007, at a good 14 per cent.

Statistics Norway's investment intentions survey indicates that manufacturing investment may be 10-15 per cent higher in 2007 than in the previous year. The

survey also indicates that investment in the electricity market will be high this year and may be 20 per cent higher in 2007 than in 2006.

Our projections are therefore based on the assumption of sustained high investment growth this year. For 2007, manufacturing investment is projected to be 10 per cent higher than in 2006, while growth will hover around 2 per cent annually to the end of the projection period. Growth in mainland business investment is projected at about 8 per cent in 2007 and between 2-3½ per cent in the period to end-2010.

Slightly lower growth in exports of traditional goods

Seasonally adjusted total exports in the first quarter of this year were 2.5 per cent higher than in the previous quarter. The volume of traditional goods exports rose by 3.7 per cent in the first quarter of this year. Particularly strong growth in exports of fish, office and IT equipment, chemicals and mineral products accounted for a large share of this growth. Total exports of services rose by 3.4 per cent in the first quarter, primarily reflecting a marked rise in commercial services. Seasonally adjusted QNA figures also show a clear rise in crude oil exports in the first quarter, bringing the rise in crude oil and natural gas exports to 3.6 per cent. Considerably lower exports of ships pushed down total export growth.

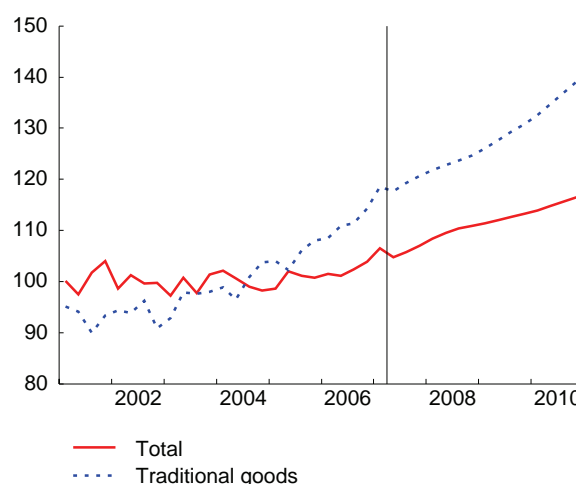
Export prices for traditional goods dropped by 0.6 per cent in the first quarter. However, metal prices rose by 2.3 per cent. The rise is still low compared with the increase in prices of 50 per cent through the previous year. Crude oil prices fell by 5.9 per cent from the fourth quarter of 2006 to the first quarter of 2007, resulting in a decline in total export prices of 1.8 per cent.

For the remainder of the year and in 2008, we expect slower growth in the volume of traditional goods exports as a result of somewhat lower demand growth among trading partners. In 2009, there is a cyclical shift in the international economy, with a pick-up in exports towards the end of the projection period.

On an annual basis, oil and gas exports are projected to fall by more than 2 per cent in 2007 compared with 2006. However, exports are expected to increase sharply in 2008. This year, total exports are estimated to grow by close to 3 per cent, partly due to sharp growth in the service sector. In 2008, higher oil and gas exports will contribute to a rise in total exports by more than 5 per cent. In 2009 and 2010, weaker developments in the oil and gas sector will push down growth somewhat. All total, stronger cyclical developments in the world economy will contribute to an upswing in traditional goods exports, and total exports are expected to increase by about 2.5 per cent in 2010.

Exports

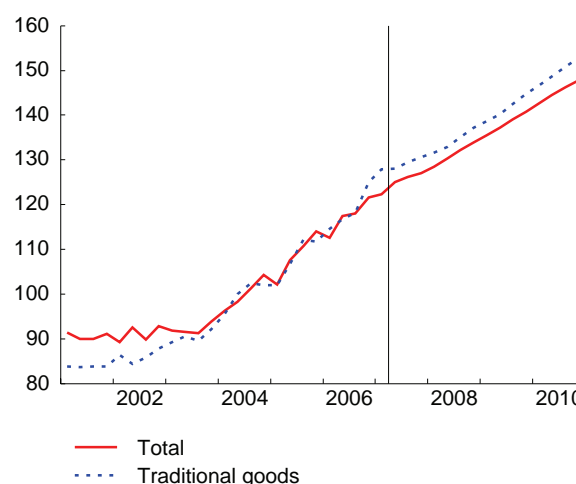
Seasonally adjusted volume indices, 2004=100



Source: Statistics Norway.

Imports

Seasonally adjusted volume indices, 2004=100



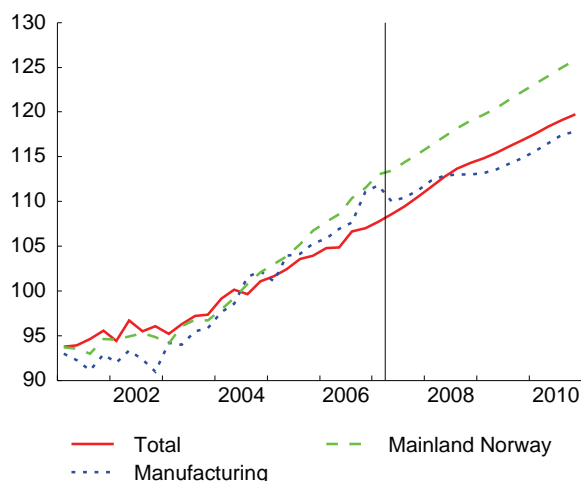
Source: Statistics Norway.

Low import growth from next year

Imports of traditional goods rose by 2.3 per cent in the first quarter, after an increase of 5.8 per cent in the previous quarter. The slower growth rate reflects lower investment growth, while high consumption growth counterbalances this to some extent. Car imports were especially high in the fourth quarter of last year. This pushes down import growth somewhat in the first quarter of this year. Import growth can to a large extent be ascribed to growth in imports of engineering products and industrial commodities. The strong growth in consumption contributed to continued strong growth in imports of textiles, clothing and footwear. Service imports fell by 3 per cent in the first quarter after a clear increase throughout the latter half of last year. Consequently, total imports rose by only 0.6 per cent.

Gross domestic product

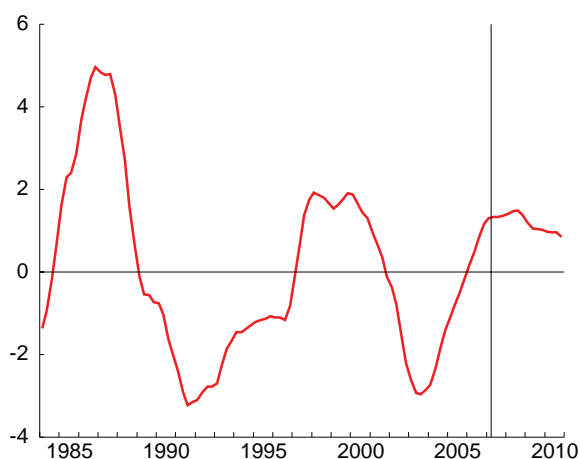
Seasonally adjusted volume indices, 2004=100



Source: Statistics Norway.

Output gap, Mainland Norway

Deviation from trend, per cent



Source: Statistics Norway.

Import prices for traditional goods rose by 0.2 per cent in the first quarter of this year. The vast majority of groups of goods showed a price fall, whereas the rise in metal prices of 5.1 per cent still contributed to a modest rise in prices. There was a particularly pronounced decline in electricity prices of about 41 per cent.

Growth in traditional goods imports is projected to reach about 8 per cent this year, i.e. a lower rate of growth than in 2006, when growth in traditional goods imports was close to 10 per cent. In 2008, growth is expected to slacken further, down to around 4 per cent, in pace with slower growth in domestic demand and a reduced need for imported electricity. In 2009 and 2010, growth is expected to pick up again, to about 6 per cent. A new frigate should be delivered in each year during the projection period and will not influence import growth ahead. Import

prices will fall from 2008 to the end of the projection period, partly as a result of a stronger krone. We therefore assume that import shares will increase and that import growth will be higher than domestic demand.

Sustained high output growth

The latest QNA figures show that the Norwegian economy is still expanding at a brisk pace. Total GDP growth was 2.8 per cent between 2005 and 2006 and production growth for the mainland economy was as high as 4.6 per cent, or roughly the same as in 2005. In the first quarter of 2007, annualized growth in GDP was about the same as annual growth in 2006, while growth in the mainland economy was higher than the average for 2006. Production growth is high in most of the main sectors of the mainland economy. Most demand components continued to increase at about the same pace as earlier and even at a somewhat faster pace in the first quarter of the year. Production growth remains high in the private service sector and in the first quarter the contribution from production of public services to growth in the mainland economy increased. Building activity has made a substantial contribution to GDP growth in the past two quarters, and a mild winter may have resulted in somewhat higher-than-normal activity for the winter season. Manufacturing production is still expanding, primarily owing to strong growth in production in the engineering industry and shipbuilding activity.

External growth impulses will probably subside somewhat ahead, resulting in slower growth in exports of traditional goods and services over the next few years compared with recent periods. In isolation, this will have a dampening impact on growth in some manufacturing segments. An appreciation of the krone as a result of a widening interest rate differential against other countries will lead to weaker competitiveness and lower export growth, and hence to slower growth in manufacturing output. Investment in the petroleum sector is still growing at rapid pace, however, and is amplifying the cyclical expansion. Our projection for petroleum investment has been revised up again, and in the RNB the upward adjustment is substantial for 2009 and 2010. As a result, growth in manufacturing production is faster in the period ahead than projected earlier. With strong growth in the economy, mainland business investment and housing investment will also continue to expand. In addition, it appears that mainland investment linked to energy production will also be substantial in the period ahead. This supports growth in investment-oriented sectors such as construction, and segments of both the manufacturing and service sectors.

Growth in mainland GDP is now projected at about 4 per cent between 2006 and 2007, which is considerably higher than estimated trend growth in the Norwegian economy. The boom in the Norwegian economy

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

Accounts	Forecasts									
	2007			2008		2009		2010		
	2006	SN	MoF	NB	SN	NB	SN	NB	SN	NB
Demand and output										
Consumption in households etc.	4.4	4.7	4.0	4	3.9	3	3.6	2 3/4	3.8	2 3/4
General government consumption	3.3	3.2	3.1	3	3.2	3	2.7	.	3.0	.
Gross fixed investment	7.4	7.3	6.1	..	4.4	..	3.9	..	4.1	.
Extraction and transport via pipelines ¹	4.4	6.5	5.0	2 1/2	9.7	0	9.3	5	10.3	5
Mainland Norway	8.0	7.1	6.7	5 3/4	2.7	1 1/4	2.3	.	2.0	.
Industries	8.5	8.1	7.5	..	3.4	..	2.3	..	2.5	..
Housing	6.5	5.3	5.0	..	1.5	..	1.4	..	0.8	..
General government	9.1	7.5	7.4	..	3.0	..	3.5	..	2.9	..
Demand from Mainland Norway ²	4.7	4.8	4.3	4	3.5	2 3/4	3.1	2 1/4	3.3	2 1/4
Stockbuilding ³	0.2	-0.4	..	..	0.0	..	0.0	..	0.0	..
Exports	1.6	2.7	1.5	..	4.9	..	2.0	..	2.6	..
Crude oil and natural gas	- 6.5	-2.4	-3.6	..	6.8	..	-0.4	..	-0.3	..
Traditional goods ⁴	5.9	6.7	4.8	7	3.9	3 1/2	4.4	.	5.7	.
Imports	8.2	6.8	5.9	5 1/2	4.4	3 1/4	5.2	.	5.2	.
Traditional goods	9.7	8.1	6.0	..	3.9	..	5.6	..	6.0	..
Gross domestic product	2.8	2.9	2.5	2 3/4	4.0	3 1/4	2.2	1 3/4	2.6	1 1/4
Mainland Norway	4.6	4.1	3.7	3 3/4	3.4	2 1/4	2.7	2	3.0	2
Labour market										
Employed persons	3.1	2.5	2.1	2 1/4	1.2	1/4	1.1	0	1.0	0
Unemployment rate (level)	3.4	2.7	2.5	2 3/4	2.6	3	2.6	3 1/2	2.5	3 3/4
Prices and wages										
Wages per standard man-year	4.3	5.5	4 3/4	5 1/4	5.5	5 1/4	5.0	4 3/4	4.7	4 1/4
Consumer price index (CPI)	2.3	0.7	3/4	3/4	2.5	2 1/2	1.7	2 1/2	1.8	2 1/2
CPI-ATE ⁵	0.8	1.6	1 1/2	1 1/2	1.9	2	1.7	2 1/2	1.8	2 1/2
Export prices, traditional goods	11.7	2.0	..	..	-6.0	..	-2.6	..	4.1	..
Import prices, traditional goods	4.7	2.6	..	..	-3.2	..	-1.8	..	0.5	..
Housing prices ⁶	12.9	14.1	..	..	7.2	..	3.0	..	2.7	..
Balance of payment										
Current balance (bill. NOK)	359.2	311.3	..	..	315.6	..	293.6	..	291.2	..
Current balance (per cent of GDP)	16.7	14.2	12.9	..	13.7	..	12.4	..	11.8	..
Memorandum items:										
Household savings ratio (level)	1.3	4.8	1.8	..	5.2	..	5.4	..	5.3	..
Money market rate (level)	3.1	4.6	..	4 1/2	5.3	5 1/2	5.3	5 1/2	5.3	5 1/2
Lending rate, banks (level) ⁷	4.3	5.4	..	..	6.2	..	6.3	..	6.3	..
Crude oil price NOK (level) ⁸	414	385	370	..	360	..	354	..	350	..
Export markets indicator	8.7	6.6	..	..	3.8	..	4.3	..	6.6	..
Importweighted krone exchange rate (44 countries) ⁹	0.6	0.3	..	-1/4	-1.2	0	-2.1	1/2	-1.1	..

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 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.2 (2006-2007), (MoF), Norges Bank, Inflasjonsrapport 1/2007 (NB).

will thus continue in 2007. Total GDP growth will be on about a par with the previous year, owing to a continued fall in oil production in 2007. In 2008, growth in total GDP is projected to be markedly higher as a result of a strong increase in gas production linked to production starts at several new plants. Growth in the mainland economy is projected to be lower next year than in 2007 because of the effects of higher interest rates on consumption and investment and lower export growth in mainland industries. Our growth pro-

jection for next year has nonetheless been revised up by a fairly considerable margin as a result of higher investment projections for the oil sector and higher production rates, which will also impact the mainland economy through supplies to the petroleum extraction industry.

The effects of weaker global growth and an appreciation of the krone have a negative influence on output growth in 2009. This applies in particular to manufac-

turing, where growth is expected to be modest. This has a dampening impact on growth in mainland investment. Oil investment is expanding at brisk pace and is contributing to holding up output growth. However, fiscal policy is assumed to generate the same impulses as earlier and will therefore have a neutral impact on production in relation to 2007 and 2008. The real after-tax interest rate for households is estimated at around 3 per cent from 2008 to the end of the projection period, which is markedly higher compared with the past two years. The strong growth in real wages will, however, contribute to sustaining consumption growth. Growth in the mainland economy is projected to be slightly lower than trend growth in the economy in 2009, primarily owing to a tighter monetary policy and weaker global growth compared with the preceding year.

A renewed upswing in the world economy is expected in 2009, however. This will gradually push up demand for Norwegian exports and provide fresh impetus to the economy. As mentioned, oil investment is projected to expand at a faster pace than earlier and at about the same pace as in 2009. With a 1.5 percentage point difference between Norwegian and foreign interest rates in 2008, monetary policy is not expected to generate further negative impulses in 2009. Against this background, growth in the Norwegian economy will again gradually pick up. This applies in particular to manufacturing. However, growth is not likely to pick up to the levels recorded in recent years, and for 2010 growth is projected to be on a par with trend growth for the Norwegian economy.

Labour reserves and inward labour migration hold up employment growth

The national accounts have never before recorded such a high level of employment growth as in 2006. Employment was 3.1 per cent higher than in 2005. Growth continued at the same pace in the first quarter of 2007. Seasonally adjusted growth from the fourth quarter of 2006 was 3.2 per cent, annualized. Over the past two years, the number employed has increased by all of 137 000.

Employment growth has been especially high in the construction industry and in commercial services. These two industries combined accounted for a good 40 per cent of total employment growth between the first quarter of 2006 and the first quarter of this year, and for more than half of seasonally adjusted growth from the fourth quarter of 2006.

Not least as a result of the pronounced increase in inward labour migration after EU enlargement on 1 May 2004, has the population and labour force shown brisk growth in recent years and the increase in foreign labour inflows have also made room for the sharp rise in employment. The population in the age group 15-74 increased by 112 000 between the first

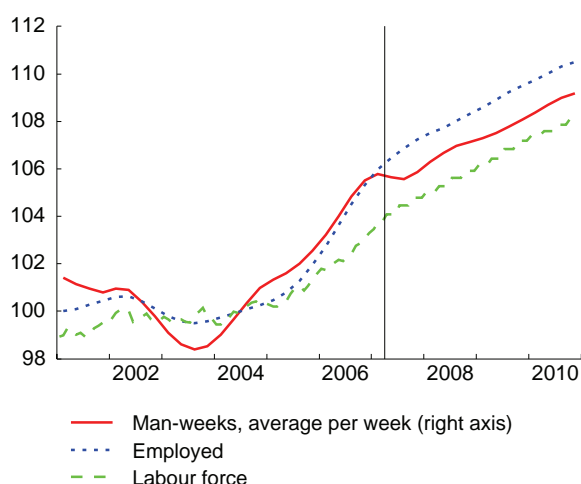
quarter of 2005 and the first quarter of 2007. Labour force participation is lowest among younger and older age groups, and since the youngest and eldest age groups accounted for a large share of the population growth, overall labour force participation according to the LFS remained broadly unchanged in the period. The number of employed in the population increased by 1.6 per cent in the period, however, to 70 per cent in the first quarter of this year. Between the first quarter of 2006 and the first quarter of this year, the percentage share of the labour force over the age of 55 increased markedly, from close to 47 per cent to 49 per cent. For the age group 67-74, the share increase by all of 4 percentage points to almost 11 per cent, and most of these chose short-term positions alongside old-age pension. Even though the formal pension age is 67, the effective pension age depends on the scale of disability pensions and contractual early retirement pensions. Figures from the Norwegian Labour and Welfare Organization show that the expected pension age has increased since the end of the 1990s, and the pension age for persons aged 50 today is the same as in the years 1987-1990 despite the subsequent introduction of the contractual early retirement scheme. This is because at the same time as people have retired under the contractual early retirement scheme, there has been clear decline in inflows into disability benefit in the age group 50-62.

The strong growth in employment has also been accompanied by a marked decline in unemployment. Both employment figures from the Norwegian Labour and Welfare Organization and the LFS show a marked decline. While seasonally adjusted LFS unemployment was around 4.5 per cent throughout 2005, it fell sharply through 2006 and was down to 2.7 per cent in January 2007, i.e. slightly lower than the unemployment in the previous boom at the end of the 1990s. Unemployment remained stable at 2.7 per cent in February and March of this year, however. It is too early to ascertain whether the decline has come to a halt. Moreover, registered unemployment continued to fall during the period.

Labour market pressures have led to an increase in labour force participation and employment among groups that feature low participation rates and difficulties joining the labour market otherwise. Employers must now increasingly seek labour among these groups if they want new recruits. At the same time, previously inactive persons are more motivated to seek work, as reflected in an increase in participation rates among older groups. The long-term unemployed are another group that seems to be benefiting from a tight labour market. According to LFS figures, the long-term unemployed accounted for 25 per cent of the unemployed in the first quarter of this year. This is 8 percentage points lower than one year earlier, and the decline has coincided with a period of a rapid fall in total unemployment. While the number of short-

Labour force, employment and number of man-hours

Millions. Seasonally adjusted and smoothed indices



Source: Statistics Norway.

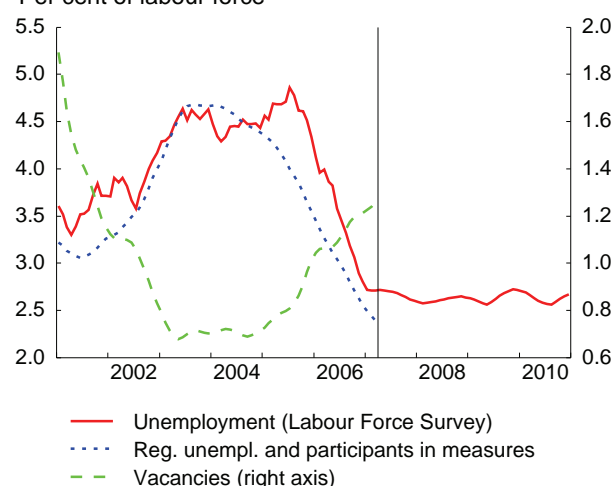
term unemployed declined by a good 20 per cent in the period, the number of long-term unemployed dropped by all of 50 per cent. The long-term unemployed are defined as persons who have been unemployed for more than six months, but the steepest decline over the past year has been for persons who have been unemployed for more than one year. In addition, registered unemployment among first generation immigrants has dropped markedly, from 8.1 per cent in the first quarter of 2006 to 6.0 per cent in the first quarter of this year. At end-February 2007, immigrants accounted for 22 per cent of the unemployed.

Increased integration into the labour market among groups that have problems finding work in a weak labour market represents a labour resource. Moreover, inward labour migration will help curb pressures in the Norwegian economy in the years ahead. Our projections point to continued buoyant demand growth in the Norwegian economy ahead. With a less flexible labour market, this would have resulted in higher wage and price inflation. In a box, we analyse the effects of inward labour migration on the Norwegian economy in recent years.

We assume that the labour force will continue to expand in the coming years, albeit at a somewhat lower pace than witnessed since 2005. A sustained increase in inward labour migration, increased labour force participation among women and older groups, combined with increased working hours for those who today work fewer hours than desired, will help meet the increased demand for labour during the projection period. Unemployment may still decline to a somewhat lower level, even from today's low level. However, this presupposes a further decline in unemployment among groups that have traditionally had difficulties finding work, such as immigrants, the vocationally disabled and the long-term unemployed. LFS unemployment is projected at 2.7 per cent in 2007,

Unemployment and number of vacancies

Seasonally adjusted and smoothed
Per cent of labour force



Source: The Directorate of Labour and Statistics Norway.

edging down to 2.6 per cent in 2008 and 2009. Stronger growth in the Norwegian economy towards the end of the projection period is expected to bring down unemployment further to 2.5 per cent in 2010.

Surge in real wage growth

Preliminary national accounts figures show a sharp acceleration in wage growth in the last six month of 2006 compared with the same period one year earlier, and a further rise in four-quarter growth in the first quarter of this year. However, last year's wage settlement was a main settlement. Since a relatively large share of wage growth comes in the form of pay increases in June in years with main settlements, wage developments follow a different seasonal pattern this year than in years with interim settlements. Wage growth in the last six months of 2006 and in the first quarter of this year was about the same as in the same period two years earlier, following the previous main settlement. On an annual basis, earnings per normal person-year increased by 4.3 per cent between 2005 and 2006, or about the same as average wage growth since 2003. This indicates that the record-high growth in employment since 2005 has not translated into higher wage growth, but that stronger labour market pressures will probably result in higher wage growth in the years ahead. By comparison, wage growth was about 1¼ percentage points higher during the economic upturn from 1998 to 2002.

The appreciable increase in inward labour migration has probably prevented an even faster decline in unemployment than witnessed so far, with the effect of reducing general wage growth in Norway. At the same time, inward labour migration has made room for strong employment growth, for example, in the construction industry and reduced average wage growth in this industry. Between 2005 and 2006, earnings per normal person-year in the construction industry increased at slower pace than in manufacturing. Accord-

Effects of increased inward labour migration

According to the Norwegian Directorate of Immigration, the number of valid work permits increased by close to 19 000 between 1 January 2006 and 1 January 2007. Nordic citizens do not require a work permit and are not included in the figure. The number of work permits increased at about the same rate as in the previous year, and it thus appears that inward labour migration has shown a fairly steady increase since EU enlargement on 1 May 2005. The number of work permits for Polish nationals increased by 12 000 in 2006. In this box, we estimate the effects of an annual increase in these foreign labour inflows on the Norwegian economy.

In the calculation, which is made using our macroeconomic model KVARTS, the labour supply initially increases by 3 000 persons in each quarter from the third quarter of 2004 up to and including the fourth quarter of 2006. Thereafter, inward labour migration remains unchanged at the level in the fourth quarter of 2006. This brings inward labour migration to 30 000 more than in the scenario excluding foreign labour inflows. Simplifying, it is assumed that this labour is employed in the building and construction industry at below-average wage. This reduces hourly average wage growth in the building and construction industry by around 5 percentage points annually, compared with the scenario excluding inward labour migration. It is also assumed that for each person-year worked NOK 100 000 are transferred to the home country. This implies that the new workers spend a smaller share of their wage earnings on goods and services consumption in Norway compared with Norwegian workers. Only changes linked to the supply of labour from foreign labour are examined. For example, it is not assumed that this influences employment in child day-care centres, schools, hospital and the like.

The impact of inward labour migration on housing investment is uncertain. The supply of cheap construction workers reduces building costs, but it has been difficult to find a clear historical relationship between building costs and housing investment. The main determinants of housing investment in our models are household real income and the real interest rate (see Social and Economic Studies no. 108, p. 183, Statistics Norway, 2002). The reason may be that the increase in building costs has largely followed household wage income, and has thus not been captured by a separate

explanatory factor. In this calculation, building costs fall to a clearly further extent than household income, and we have therefore assumed that total household spending on housing investment remains approximately unchanged when inward labour migration increases. This means that households spend approximately what they save on reduced building costs to increase building activity.

The table and figures summarize the results of the calculation. The table shows the effects of the increase in inward labour migration, and the figures show developments in unemployment and wage growth in the absence of foreign labour inflows. The effects of a higher supply of labour primarily come through the effect on unemployment. Higher housing investment pushes up employment, but the supply of labour increases more so that unemployment is higher through the entire period. In 2006, unemployment is 0.4 percentage point higher than in the absence of inward labour migration. On the other hand, higher employment pushes up wage and pushes down business costs, with an improvement in business competitiveness in Norway. Slower wage growth also contributes to pushing down consumer price inflation. In line with the model for Norges Bank's interest rate setting in the period 2001-2006 described in the box on page xx, we assume that the interest rate is set with a view to stabilizing both consumer price inflation and unemployment. The interest rate is then $\frac{3}{4}$ percentage point lower than through the calculation period. The krone exchange rate is therefore somewhat weaker and makes a further contribution to improving competitiveness in the business sector. This pushes up output and employment.

Consumer price inflation does not slow to the same extent as wage growth. As a result, household real disposable income is reduced. It is true that households benefit from a share of the profit gains in the business sector, higher unemployment benefits and lower net interest expenditure, but the overall income effect is still negative. This pushes down household consumption. As a result of the decrease in real wages, enterprises substitute intermediate goods with labour to some extent, which amplifies the increase in employment. All in all, total production shows a small increase, while employment and the number of person-hours worked show a somewhat smaller increase. The shift towards increased use of labour thereby reduces labour pro-

Effects of increased inward labour migration

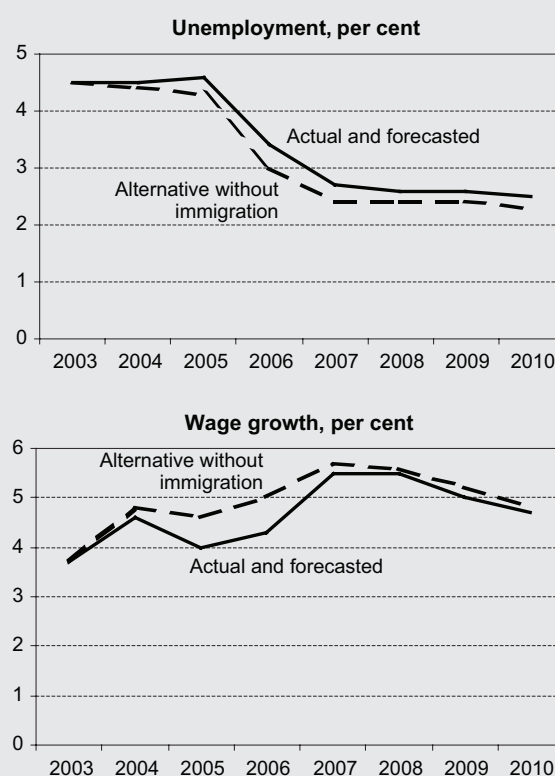
Effect in per cent unless otherwise stated	2004	2005	2006	Average 2007-2010
Labour supply	0.1	0.4	0.7	0.7
Employment	0.0	0.1	0.3	0.4
Unemployment rate, absolute deviation in percentage point	0.1	0.3	0.4	0.3
Mainland GDP	0.0	0.2	0.3	0.2
- Manufacturing	0.0	0.3	0.6	0.9
Wages	-0.2	-0.8	-1.5	-1.9
CPI	0.0	0.0	-0.1	-0.4
Krone exchange rate (positive figures denote weaker NOK)	0.1	0.1	0.2	0.2
Household real disposable income	-0.2	-0.9	-1.7	-1.7
Household consumption	-0.1	-0.3	-0.5	-0.9
Housing investment	0.9	2.8	4.6	4.5
Household saving ratio, absolute deviation in percentage point	-0.1	-0.6	-1.2	-0.8





ductivity, which reinforces the fall in real wages. Higher unemployment and lower wages reduce labour force participation incentives and the labour supply excluding foreign labour will fall to some extent. The overall increase in the labour supply will therefore be small than inward labour migration alone would imply.

In the period 2004-2006, there was a strong upturn in the Norwegian economy, with particularly strong growth in housing investment. Housing investment was 40 per cent higher in 2006 than in 2003. In addition, brisk growth in exports, excluding oil and gas, generated a substantial growth impetus to the Norwegian economy in the same period. Moderate wage growth and a weaker krone exchange rate contributed to maintaining competitiveness in the Norwegian business sector. Nevertheless, unemployment rose up to mid-2005 and did not start to fall until 2006. Employment increased, but the labour supply also exhibited a clear rise. According to the calculation, the increase in inward labour migration may be an important explanatory factor behind developments during this period. The decline in unemployment may have been delayed, and reducing building costs probably contributed to higher housing investment. Inward labour migration has reduced pressures in the Norwegian economy, which has curbed wage growth and made it possible to keep the interest rate level in Norway at a historically very low level over several years, and on a par with interest rates in the euro area.



ing to Statistics Norway's wage statistics for average monthly earnings of full-time employees in the construction industry, wage earnings for cabinet-makers was zero between 1 October 2005 and 1 October 2006. Wage earnings were also clearly lower than average for formwork carpenters, wood workers, plumbers and painters. However, the picture is mixed. In the first quarter of this year, four-quarter growth in earnings per normal person-year in construction was as high as 5.9 per cent, which was higher than in manufacturing and other sectors of the economy. It is true that the figures for the first quarter are highly uncertain and more uncertain than at the time of the publication of this report one year earlier because the national accounts are published at a later date this year. In a box, we present estimated effects of inward labour migration on wage growth and the wider Norwegian economy.

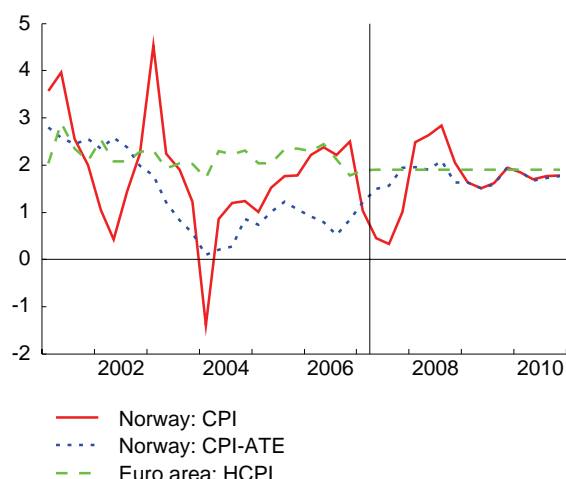
A tight labour market and prospects for continued buoyancy in employment growth will probably lead to higher wage growth ahead as a result of higher general pay increases, but also through some degree of increase in wage drift owing to strong corporate profitability. Strong competition for labour may, however, lead to higher-than-projected wage drift. On the other hand, sustained rapid growth in inward labour migration may continue to have a dampening impact on wage growth.

This year's interim settlement has been concluded without conflicts and with limited recourse to wage mediation. The settlements generally resulted in the same pay increase, as estimated by the social partners, of a little less than 5 per cent. The definition of wages in the national accounts differs somewhat from the definition (annual wages) applied by the social partners in that the national accounts also include overtime. Moreover, changes in working hours, such as changes in long-term sickness absence and changes in the part-time shares, may have a varying influence on the wage figures.

In 2008, wage growth is projected to remain broadly unchanged compared with 2007, and wage growth is projected at close to 5 per cent in 2009 and 2010. Even if the labour market remains tight throughout the projection period, it is primarily changes in, and not the level of, unemployment that generates impulses to wage growth. The effects are long-lasting and the effects of the decline in unemployment through 2006 on wage growth will not fully unwind until the end of the projection period. Moreover, a moderate slowdown in the world economy will exert some pressure on profitability at Norwegian manufacturing companies, which has traditionally also dampened wage growth.

Consumer price indices

Percentage growth from the same quarter previous year



Source: Norges Bank and Statistics Norway.

With an average wage growth of more than 5 per cent during the four-year projection period, and consumer price inflation of 1¾ per cent, the purchasing power of Norwegian wage earners is expected to exhibit a very strong increase in the years ahead. On the whole, average real wage growth is projected at 15½ per cent between 2006 and 2010, if our projections are accurate.

Slightly higher inflation

Despite the boom in Norwegian economy and slightly higher inflation recently, underlying consumer price inflation in Norway is still low. The year-on-year rise in the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) has since August last year increased by 1.0 percentage point, and reached 1.4 per cent in April this year. In the past four years this indicator of inflation has moved between 0-1.5 per cent, and has thus been lower than Norges Bank's target range for monetary policy. Wide swings in energy prices, particularly in electricity prices, have led to considerably wider variations in CPI inflation than in CPI-ATE inflation.

A breakdown of CPI on supplier sector, adjusted for tax changes excluding energy goods, indicates that rising inflationary tendencies during the past half year reflect developments in all of the main components, with one exception: The rise in house rents has slowed, and was only 1.4 per cent higher in April than the level twelve months earlier. The rise in prices for other domestically produced goods and services was close to 2.5 per cent and overall the rate of increase was somewhat lower than 2 percentage points from August 2006.

As a result of low inflows to water reservoirs, the annual average rise in electricity prices reached a record-high level in 2006. However, appreciable inflows through autumn of last year led to a turna-

round. High rainfall levels and a mild winter led to a further improvement and in mid-April water reservoir levels were 5.5 percentage points higher than the median for the period 1990-2005. Electricity prices charged to households have therefore fallen continually for more than six months. In April this year, prices were 38 per cent lower than in September last year. Electricity accounts for nearly 4 per cent of household consumption so that this price fall alone has pushed down CPI inflation by 1.5 per cent. In April, CPI inflation was only 0.3 per cent higher than twelve months earlier. The year-on-year rise in the CPI had then declined from a peak in October 2006 of 2.5 per cent. Electricity prices are expected to continue to decline towards summer, but since these prices also fell during the same period last year, it is unlikely that the decline will have a pronounced effect on the year-on-year rise in the CPI.

The low underlying rise in prices over the past four years can be attributed to a number of factors. Increased imports from low-cost countries, a somewhat stronger krone and low global inflation have contributed to a subdued rise in prices for imported consumer goods. A relatively low rise in hourly labour costs, coupled with high productivity growth, particularly in retail trade, has contributed to a subdued rise in prices for domestically produced goods and services, as long as energy goods are excluded.

Hourly labour costs have picked up somewhat in recent years and will probably remain relatively high in the years ahead. After a long period of expansion, the high level of productivity growth must also be expected to recede. However, a strengthening of the krone exchange rate may counter the impulses from domestic cost components. According to our calculations, CPI-ATE inflation will reach 1.6 per cent this year, i.e. 0.8 percentage point higher than last year. In 2008, inflation is expected to rise to 1.9 per cent. In the following years, the effects of stronger krone may result in somewhat lower inflation again, so that CPI-ATE inflation may lie between 1.5 and 2.0 per cent.

Based on electricity spot prices in mid-May, electricity prices charged to households are projected to be 22 per cent lower in 2007 than in 2006. As a result of particularly high electricity prices in September and October last year, CPI inflation may during these months decelerate to near zero. In addition, oil price developments are expected to curb inflation in 2007. A fall in oil prices of about NOK 30 from 2006 to 2007 is estimated to reduce CPI inflation by about 0.2 percentage point. Real tax changes from the beginning of this year will probably increase CPI inflation by 0.2 per cent in 2007. CPI inflation is now projected at 0.7 per cent in 2007.

The forward market indicates a renewed, clear rise in electricity prices in the period to winter. Spot prices

for the first quarter of 2008 are over 20 øre per kWh higher than prices in June this year. The average price charged to households is expected to increase by 20 per cent compared with 2006. Oil prices are assumed to fall by NOK 25 from 2007 to 2008. Moreover, real taxes are assumed to remain unchanged on average in 2008 to the end of the projection period. Higher underlying inflation and the rise in electricity prices nevertheless contribute to a sharp increase in overall inflation next year, and CPI inflation is now projected at 2.5 per cent in 2008. In 2009 and 2010, the calculations are based on the assumption that energy prices move broadly in line with the general rise in prices. CPI inflation is therefore projected to be approximately on a par with CPI-ATE inflation.

Reduced current account surplus

Trade in traditional goods and services continued to show a deficit, which came to NOK 37 billion in the first quarter of this year according to preliminary national accounts figures. A large export surplus for oil and gas of NOK 122 billion, and a small, but still a record-high trade surplus for services of NOK 14 billion, brought the trade surplus to NOK 99 billion in the first quarter of this year. This is an increase of a good NOK 5 billion on the previous quarter and reflects both a small increase in the value of total exports and a small fall in the value of total imports. The export surplus in the first quarter of 2006 came to the equivalent of about a fourth of the total surplus last year.

This year's first-quarter national accounts figures for the interest and transfers balance and the current account cannot be reported at present. For the year as a whole, we expect a trade surplus of close to NOK 330 billion. A deficit on the interest and transfers balance is expected to bring down the current account surplus to about NOK 310 billion, i.e. a reduction of about NOK 60 billion in relation to the previous years, or about 3 per cent of GDP in 2006.

The main reasons behind the decrease in the current account surplus are lower oil prices, which have declined by 12 per cent in relation to prices in 2006, and stagnating and falling volumes of oil production. Higher volume growth in imports than in exports, coupled with weaker developments in export prices (not only for petroleum products) than in import prices will also push down the surplus. In the period ahead, the interest and transfers balance will probably make a positive, but relatively, small contribution to the current account balance, which is expected to remain at around NOK 300 billion in the projection period.

National accounts: Final expenditure and gross domestic product. At fixed 2004 prices. Million kroner

	Unadjusted		Seasonally adjusted							
	2005	2006	05.2	05.3	05.4	06.1	06.2	06.3	06.4	07.1
Final consumption expenditure of households and NPISHs	812 122	847 569	202 962	204 694	204 550	208 104	211 259	213 111	215 198	221 423
Household final consumption expenditure	778 529	811 960	194 653	196 209	195 912	199 314	202 426	204 164	206 147	212 207
Goods	404 922	421 609	101 171	102 309	101 503	103 531	104 669	106 062	107 752	112 270
Services	348 998	361 259	86 916	87 564	88 338	88 807	90 259	90 587	91 520	92 178
Direct purchases abroad by resident households	46 583	51 958	12 002	11 763	11 679	12 333	13 136	13 205	13 021	13 600
Direct purchases by non-residents	-21 974	-22 866	-5 437	-5 427	-5 608	-5 357	-5 637	-5 690	-6 146	-5 841
Final consumption expenditure of NPISHs	33 593	35 609	8 310	8 485	8 638	8 790	8 833	8 947	9 051	9 216
Final consump. exp. of general government	379 939	392 660	95 156	94 916	95 262	97 194	97 794	98 525	99 106	100 367
Final consump. exp. of central government	200 424	203 979	50 143	50 007	50 122	50 790	50 973	50 999	51 200	51 504
Central government, civilian	172 548	176 510	43 123	43 102	43 208	43 859	44 080	44 171	44 386	44 706
Central government, defence	27 876	27 470	7 019	6 904	6 914	6 931	6 892	6 829	6 814	6 798
Final consump. exp. of local government	179 514	188 681	45 013	44 909	45 140	46 404	46 821	47 526	47 906	48 863
Gross fixed capital formation	349 319	375 080	85 238	85 364	96 696	87 769	95 058	94 778	97 057	96 425
Extraction and transport via pipelines	84 924	88 700	21 429	20 662	23 084	20 691	21 379	23 350	23 184	21 822
Service activities incidental to extraction	-1 835	870	-2 851	919	44	-527	25	478	894	-79
Ocean transport	15 146	14 376	4 521	1 793	5 253	3 731	4 383	4 495	1 711	4 245
Mainland Norway	251 085	271 135	62 140	61 990	68 316	63 875	69 271	66 454	71 267	70 437
Mainland Norway excl. general government	200 683	216 155	49 657	50 026	53 639	52 015	53 153	54 306	56 481	56 921
Industries	120 056	130 312	29 734	29 939	32 731	31 100	31 904	32 791	34 274	34 226
Manufacturing and mining	23 440	26 110	5 574	5 655	7 240	5 632	5 830	6 995	7 357	6 539
Production of other goods	19 775	21 827	5 118	5 343	4 756	5 099	5 592	5 633	5 461	5 432
Services	76 840	82 375	19 043	18 942	20 736	20 369	20 482	20 163	21 456	22 255
Dwellings (households)	80 628	85 843	19 923	20 087	20 908	20 915	21 249	21 514	22 207	22 695
General government	50 401	54 980	12 483	11 964	14 676	11 860	16 118	12 149	14 787	13 516
Changes in stocks and statistical discrepancies	50 538	58 919	9 012	17 807	12 501	16 482	12 772	16 390	14 532	7 211
Gross capital formation	399 800	433 999	94 250	103 170	109 198	104 252	107 830	111 169	111 589	103 636
Final domestic use of goods and services	1 591 861	1 674 229	392 368	402 780	409 009	409 549	416 883	422 805	425 893	425 425
Final demand from Mainland Norway	1 443 145	1 511 364	360 258	361 599	368 127	369 172	378 324	378 091	385 572	392 227
Final demand from general government	430 340	447 640	107 639	106 880	109 938	109 053	113 911	110 674	113 893	113 883
Total exports	737 591	749 656	187 020	185 401	184 755	186 016	185 269	187 717	190 465	195 167
Traditional goods	220 746	233 721	53 652	55 677	56 685	56 904	58 166	58 444	59 958	62 179
Crude oil and natural gas	320 559	299 812	81 753	80 192	78 795	77 518	74 421	74 632	73 416	76 065
Ships, oil platforms and planes	10 781	12 192	5 401	3 316	1 055	3 188	1 770	3 261	3 974	1 978
Services	185 505	203 930	46 215	46 216	48 221	48 406	50 912	51 380	53 117	54 945
Total use of goods and services	2 329 451	2 423 884	579 388	588 181	593 765	595 566	602 152	610 522	616 359	620 593
Total imports	539 642	583 765	133 733	137 648	141 629	139 827	146 010	146 619	151 038	151 948
Traditional goods	349 862	383 849	86 294	90 593	90 284	92 615	94 373	95 543	101 055	103 373
Crude oil and natural gas	2 953	1 457	488	531	1 310	423	178	169	717	589
Ships, oil platforms and planes	10 421	12 232	2 616	2 669	3 030	2 711	4 682	3 145	1 694	1 823
Services	176 406	186 227	44 336	43 855	47 005	44 078	46 778	47 762	47 573	46 162
Gross domestic product (market prices)	1 789 867	1 840 119	445 655	450 532	452 135	455 739	456 142	463 903	465 320	468 645
Gross domestic product Mainland Norway (market prices)	1 415 739	1 480 321	351 107	355 795	360 879	364 221	367 080	373 065	376 873	382 168
Petroleum activities and ocean transport	374 128	359 798	94 548	94 737	91 256	91 518	89 062	90 838	88 447	86 477
Mainland Norway (basic prices)	1 206 438	1 258 437	299 356	303 282	307 887	309 662	312 031	315 702	321 150	326 394
Mainland Norway excl. general government	938 053	985 663	232 476	236 118	240 718	241 936	243 986	247 331	252 458	257 094
Manufacturing and mining	168 159	174 989	42 122	42 212	42 675	42 908	43 344	43 626	45 012	45 321
Production of other goods	141 641	142 285	35 291	35 525	36 616	35 841	35 612	35 351	35 379	36 615
Services incl. dwellings (households)	628 254	668 389	155 063	158 382	161 427	163 187	165 031	168 354	172 066	175 159
General government	268 385	272 774	66 881	67 163	67 169	67 726	68 045	68 371	68 692	69 300
Correction items	209 301	221 884	51 751	52 513	52 992	54 559	55 049	57 363	55 723	55 774

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product. At fixed 2004 prices. Percentage change from the previous period

	Unadjusted		Seasonally adjusted							
	2005	2006	05.2	05.3	05.4	06.1	06.2	06.3	06.4	07.1
Final consump. expenditure of households and NPISHs	3.3	4.4	1.7	0.9	-0.1	1.7	1.5	0.9	1.0	2.9
Household final consumption expenditure	3.2	4.3	1.7	0.8	-0.2	1.7	1.6	0.9	1.0	2.9
Goods	2.7	4.1	1.1	1.1	-0.8	2.0	1.1	1.3	1.6	4.2
Services	2.7	3.5	1.1	0.7	0.9	0.5	1.6	0.4	1.0	0.7
Direct purchases abroad by resident households	12.9	11.5	10.1	-2.0	-0.7	5.6	6.5	0.5	-1.4	4.5
Direct purchases by non-residents	4.0	4.1	-1.3	-0.2	3.3	-4.5	5.2	0.9	8.0	-5.0
Final consumption expenditure of NPISHs	5.9	6.0	1.6	2.1	1.8	1.8	0.5	1.3	1.2	1.8
Final consumption expenditure of general government	1.8	3.3	0.6	-0.3	0.4	2.0	0.6	0.7	0.6	1.3
Final consumption expenditure of central government	1.6	1.8	0.0	-0.3	0.2	1.3	0.4	0.1	0.4	0.6
Central government, civilian	3.3	2.3	0.0	0.0	0.2	1.5	0.5	0.2	0.5	0.7
Central government, defence	-7.9	-1.5	-0.3	-1.6	0.1	0.2	-0.6	-0.9	-0.2	-0.2
Final consumption expenditure of local government	2.0	5.1	1.2	-0.2	0.5	2.8	0.9	1.5	0.8	2.0
Gross fixed capital formation	11.2	7.4	4.1	0.1	13.3	-9.2	8.3	-0.3	2.4	-0.7
Extraction and transport via pipelines	19.1	4.4	9.1	-3.6	11.7	-10.4	3.3	9.2	-0.7	-5.9
Service activities incidental to extraction	-165.2	-147.4	..	-132.2	-95.2	..	-104.7	..	86.8	-108.8
Ocean transport	50.0	-5.1	26.5	-60.3	193.0	-29.0	17.5	2.6	-61.9	148.1
Mainland Norway	9.1	8.0	6.1	-0.2	10.2	-6.5	8.4	-4.1	7.2	-1.2
Mainland Norway excluding general government	11.9	7.7	4.8	0.7	7.2	-3.0	2.2	2.2	4.0	0.8
Industries	10.2	8.5	7.6	0.7	9.3	-5.0	2.6	2.8	4.5	-0.1
Manufacturing and mining	12.3	11.4	15.5	1.4	28.0	-22.2	3.5	20.0	5.2	-11.1
Production of other goods	3.9	10.4	11.4	4.4	-11.0	7.2	9.7	0.7	-3.1	-0.5
Services	11.3	7.2	4.6	-0.5	9.5	-1.8	0.6	-1.6	6.4	3.7
Dwellings (households)	14.5	6.5	0.9	0.8	4.1	0.0	1.6	1.2	3.2	2.2
General government	-0.5	9.1	11.3	-4.2	22.7	-19.2	35.9	-24.6	21.7	-8.6
Changes in stocks and statistical discrepancies	50.1	16.6	-25.9	97.6	-29.8	31.8	-22.5	28.3	-11.3	-50.4
Gross capital formation	14.9	8.6	0.2	9.5	5.8	-4.5	3.4	3.1	0.4	-7.1
Final domestic use of goods and services	5.6	5.2	1.0	2.7	1.5	0.1	1.8	1.4	0.7	-0.1
Final demand from Mainland Norway	3.9	4.7	2.1	0.4	1.8	0.3	2.5	-0.1	2.0	1.7
Final demand from general government	1.5	4.0	1.7	-0.7	2.9	-0.8	4.5	-2.8	2.9	0.0
Total exports	0.7	1.6	3.5	-0.9	-0.3	0.7	-0.4	1.3	1.5	2.5
Traditional goods	5.2	5.9	-1.7	3.8	1.8	0.4	2.2	0.5	2.6	3.7
Crude oil and natural gas	-5.0	-6.5	1.6	-1.9	-1.7	-1.6	-4.0	0.3	-1.6	3.6
Ships, oil platforms and planes	11.2	13.1	435.4	-38.6	-68.2	202.1	-44.5	84.2	21.9	-50.2
Services	5.5	9.9	3.3	0.0	4.3	0.4	5.2	0.9	3.4	3.4
Total use of goods and services	4.0	4.1	1.8	1.5	0.9	0.3	1.1	1.4	1.0	0.7
Total imports	8.6	8.2	5.3	2.9	2.9	-1.3	4.4	0.4	3.0	0.6
Traditional goods	8.2	9.7	4.6	5.0	-0.3	2.6	1.9	1.2	5.8	2.3
Crude oil and natural gas	55.0	-50.6	-26.8	8.8	146.9	-67.8	-58.0	-4.7	323.8	-17.8
Ships, oil platforms and planes	-20.6	17.4	24.2	2.1	13.5	-10.5	72.7	-32.8	-46.1	7.6
Services	11.4	5.6	6.3	-1.1	7.2	-6.2	6.1	2.1	-0.4	-3.0
Gross domestic product (market prices)	2.7	2.8	0.8	1.1	0.4	0.8	0.1	1.7	0.3	0.7
Gross domestic product Mainland Norway (market prices)	4.5	4.6	0.8	1.3	1.4	0.9	0.8	1.6	1.0	1.4
Petroleum activities and ocean transport	-3.5	-3.8	0.7	0.2	-3.7	0.3	-2.7	2.0	-2.6	-2.2
Mainland Norway (basic prices)	4.4	4.3	1.1	1.3	1.5	0.6	0.8	1.2	1.7	1.6
Mainland Norway excluding general government	5.3	5.1	1.7	1.6	1.9	0.5	0.8	1.4	2.1	1.8
Manufacturing and mining	3.4	4.1	2.9	0.2	1.1	0.5	1.0	0.7	3.2	0.7
Production of other goods	9.0	0.5	2.8	0.7	3.1	-2.1	-0.6	-0.7	0.1	3.5
Services incl. dwellings (households)	5.0	6.4	1.1	2.1	1.9	1.1	1.1	2.0	2.2	1.8
General government	1.5	1.6	-0.7	0.4	0.0	0.8	0.5	0.5	0.5	0.9
Correction items	4.5	6.0	-1.0	1.5	0.9	3.0	0.9	4.2	-2.9	0.1

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product. Price indices. 2004=100

	Unadjusted		Seasonally adjusted							
	2005	2006	05.2	05.3	05.4	06.1	06.2	06.3	06.4	07.1
Final consump. expenditure of households and NPISHs	101.0	103.1	101.1	101.6	101.5	101.8	103.0	103.5	104.0	102.8
Final consump. expenditure of general government	102.6	106.5	102.1	103.1	103.5	104.4	106.1	107.2	108.3	108.4
Gross fixed capital formation	102.8	106.6	103.5	103.2	103.4	103.8	106.2	107.7	108.0	108.1
Mainland Norway	102.0	105.5	102.1	101.7	103.0	103.8	105.0	105.7	107.2	107.5
Final domestic use of goods and services	101.9	105.0	103.0	102.6	102.3	103.1	105.4	105.7	105.8	105.8
Final demand from Mainland Norway	101.6	104.4	101.6	102.0	102.3	102.8	104.2	104.8	105.7	105.1
Total exports	117.3	133.7	112.6	119.7	127.1	135.6	132.9	132.8	133.8	131.4
Traditional goods	104.0	116.2	102.2	105.7	106.9	111.2	115.2	118.9	120.0	119.3
Total use of goods and services	106.8	113.9	106.1	108.0	110.0	113.2	113.9	114.0	114.4	113.9
Total imports	101.2	104.4	100.9	101.1	101.7	103.0	102.6	104.3	107.8	107.5
Traditional goods	100.4	105.0	100.5	100.4	100.2	103.0	102.7	104.9	109.3	109.5
Gross domestic product (market prices)	108.5	116.9	107.7	110.1	112.6	116.4	117.5	117.1	116.6	115.9
Gross domestic prod. Mainland Norway (market prices)	102.1	105.6	103.2	102.3	103.2	104.1	105.9	105.9	106.3	107.4

Source: Statistics Norway.

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

	Unadjusted		Seasonally adjusted							
	2005	2006	05.2	05.3	05.4	06.1	06.2	06.3	06.4	07.1
Final consump. expenditure of households and NPISHs	1.0	2.0	1.4	0.5	-0.1	0.3	1.2	0.4	0.5	-1.2
Final consump. expenditure of general government	2.6	3.8	0.3	1.0	0.4	0.8	1.7	1.0	1.0	0.1
Gross fixed capital formation	2.8	3.6	2.6	-0.3	0.3	0.4	2.3	1.4	0.4	0.0
Mainland Norway	2.0	3.4	1.0	-0.4	1.2	0.7	1.2	0.6	1.4	0.3
Final domestic use of goods and services	1.9	3.0	3.1	-0.4	-0.3	0.8	2.3	0.2	0.1	0.1
Final demand from Mainland Norway	1.6	2.7	1.0	0.5	0.3	0.5	1.3	0.6	0.8	-0.6
Total exports	17.3	14.0	2.9	6.3	6.2	6.7	-1.9	-0.1	0.8	-1.8
Traditional goods	4.0	11.7	1.5	3.4	1.2	4.0	3.7	3.2	0.9	-0.6
Total use of goods and services	6.8	6.6	3.1	1.8	1.8	2.9	0.6	0.1	0.4	-0.5
Total imports	1.2	3.2	-0.3	0.2	0.6	1.2	-0.4	1.7	3.3	-0.3
Traditional goods	0.4	4.7	0.0	-0.1	-0.2	2.8	-0.2	2.1	4.2	0.2
Gross domestic product (market prices)	8.5	7.7	4.1	2.2	2.3	3.3	1.0	-0.4	-0.4	-0.5
Gross domestic product Mainland Norway (market prices)	2.1	3.4	3.5	-0.9	0.9	0.9	1.8	0.0	0.4	1.0

Source: Statistics Norway.