Economic Survey

Statistics Norway

Statistisk sentralbyrå

- Economic developments in Norway
- Forecasts 2017-2020

2/2017

Economic developments in Norway

Interim seasonally adjusted quarterly national accounts figures (QNA) show an upswing in economic growth in the first quarter of 2017. Mainland GDP increased by an annualised 2.6 per cent, which is higher than estimated trend growth of 2 per cent. It is still too early to be certain that this represents an economic turnaround following the slump in the wake of the fall in oil prices in the second half of 2014, but our projections indicate that this is the case. Such a development is also consistent with our economic reports since March 2016.

A cyclical downturn lasting two and a half years was caused by a fall in demand from the petroleum industry in Norway and abroad. The Norwegian economic downturn was eased by the weakening of the krone exchange rate as a direct result of movements in the oil price, and by the cutting of Norwegian interest rates to record-low levels. The low interest rates stimulated investment, and housing investment in particular soared in response to a sharp rise in house prices. In early June 2017, the import-weighted krone exchange rate is 20 per cent weaker than the annual average for

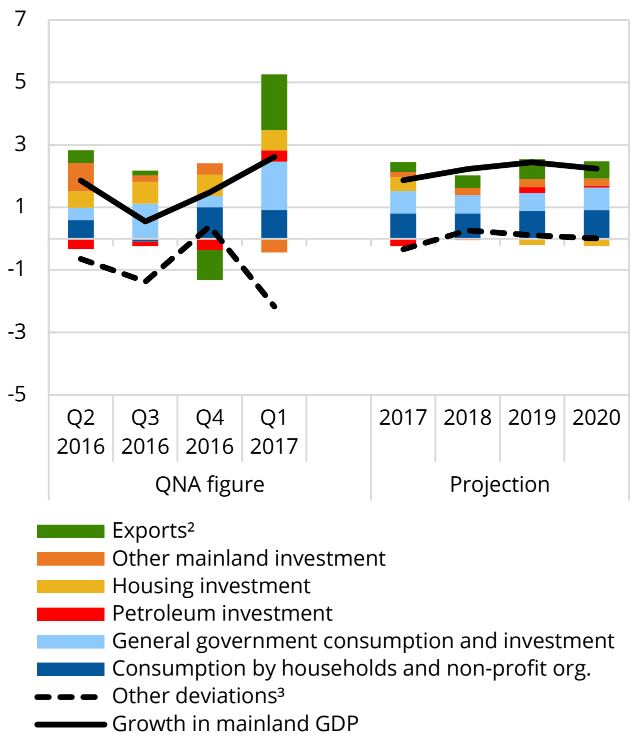
Table 1. Main macroeconomic aggregates. Accounts figures. Change from previous period. Per cent

	2015*	2016*	Seasonally adjusted			
			16:2	16:3	16:4	17:1
Demand and output						
Consumption in households etc.	2.1	1.6	0.4	-0.1	0.7	0.6
General government consumption	2.1	2.3	0.7	0.7	0.6	0.4
Gross fixed investment	-3.8	0.3	1.1	2.3	-0.5	0.5
Extraction and transport via pipelines	-15.0	-16.4	-2.4	-1.1	-2.7	2.7
Mainland Norway	0.6	6.2	2.8	3.2	0.3	0.7
Final domestic demand from Mainland Norway[1]	1.8	2.7	1.0	0.8	0.6	0.6
Exports	3.7	-0.5	-0.6	0.6	0.1	0.9
Traditional goods	5.8	-8.2	-0.7	-0.7	-9.3	7.8
Crude oil and natural gas	3.2	4.1	-1.8	1.1	1.2	-0.6
Imports	1.6	0.8	0.1	0.6	-1.5	2.8
Traditional goods	1.9	-1.1	0.0	0.7	0.0	2.0
Gross domestic product	1.6	1.1	0.0	-0.5	1.2	0.2
Mainland Norway	1.1	0.9	0.5	0.1	0.4	0.6
Labour market						
Man-hours worked	0.3	0.5	-0.1	0.3	0.2	0.1
Employed persons	0.3	0.2	0.2	0.1	0.2	0.1
Labour force[2]	1.4	0.3	-0.7	0.6	-0.7	0.0
Unemployment rate, level[2]	4.4	4.7	4.7	4.9	4.7	4.3
Prices and wages						
Annual earnings	2.8	1.7	..	..	..	..
Consumer price index (CPI)[3]	2.1	3.6	3.4	4.0	3.6	2.5
CPI adjusted for tax changes and excluding energy products (CPI-ATE)[3]	2.7	3.0	3.2	3.3	2.7	2.7
Export prices, traditional goods	2.3	4.3	3.3	0.8	5.3	-1.3
Import prices, traditional goods	4.7	1.2	0.3	-0.3	-0.1	0.9
Balance of payment						
Current balance, bill. NOK	270.0	152.2	45.5	28.4	19.0	59.3
Memorandum items (unadjusted level)						
Money market rate (3 month NIBOR)	1.3	1.1	1.0	1.1	1.1	1.0
Lending rate, credit loans[4]	3.2	2.6	2.6	2.5	2.5	2.6
Crude oil price NOK[5]	430	378	388	391	428	461
Importweighted krone exchange rate, 44 countries, 1995=100	103.4	105.4	105.9	105.2	102.3	102.7
NOK per euro	8.94	9.29	9.32	9.29	9.04	8.99

[1] Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.
[2] According to Statistics Norway›s labour force survey(LFS).
[3] Percentage change from the same period the previous year.
[4] Period averages.
[5] Average spot price, Brent Blend.
Source: Statistics Norway and Norges Bank.

2013. Cost-competitiveness has improved to roughly the same extent, since wage developments in Norway have not differed substantially from those of our trading partners in recent years. The improved competitiveness contributed to substantially more favourable developments in exports and imports than we would otherwise have experienced. A sharp increase in the use of petroleum revenue also checked the economic downturn by increasing general government demand for consumption purposes, and in particular investment objectives that stimulated mainland industry.

Figure 1. Growth in mainland GDP and contributions from demand components.[1] Percentage points, annual rate



[1] The demand contributions are calculated by finding the change in each variable, extracting the direct and indirect import shares, and then dividing by the mainland GDP level for the previous period. The import shares used are documented in Box 3. All figures are seasonally adjusted and in constant prices.

[2] The export variable is defined as total exports excluding exports of crude oil, gas and shipping.

[3] Other deviations' is defined residually so that it captures all other factors as well as changes in inventories and statistical deviations.

Source: Statistics Norway.

The higher first-quarter growth is largely attributable to a slowing of the decline in petroleum sector activity, while other important drivers such as housing investment have continued to increase strongly. The QNA figures for the first quarter also show a strong increase in exports of traditional goods of almost 8 per cent, but this does not represent underlying developments, as there was an even sharper fall the previous quarter. This movement was to some extent a result of special supply-side factors in the fourth quarter of 2016, such as maintenance shutdowns at some large production facilities. At the same time, we were a little more uncertain than usual about the information base. However, a positive export turnaround is expected, as a consequence of a tendency for increased demand from Norwegian export markets and improved competitiveness.

The fiscal policy stance, measured in terms of the increase in the budget deficit, is strongly expansionary this year, as it has been for the preceding three years. The recently adjusted fiscal rule allowing for a structural non-oil budget deficit of 3 per cent of the Government Pension Fund Global, and our assumptions regarding return, exchange rates and oil prices mean that there will be little scope for increasing the spending of petroleum revenue in excess of trend growth in the mainland economy in the years ahead. We are assuming a neutral fiscal policy in 2018 and a weakly contractionary economic policy in 2019 and 2020 due to increased environmental taxes. Central expenditure items are expected to grow roughly in pace with trend growth in the economy.

Household income moved very weakly in 2016, even disregarding dividends, which fell sharply compared with the previous year because of adjustment to changes in the taxation system. Low wage growth and high inflation led to average real wages falling by 1.8 per cent. Inflation decreased sharply as the rise in electricity prices slowed, and not least because the inflationary effects of the earlier weakening of the Norwegian krone are waning steadily. After peaking

Table 2. Growth in mainland GDP and contributions from demand components.1 Percentage points, annual rate

	QNA				Projection			
	16:2	16:3	16:4	17:1	2017	2018	2019	2020
Consumption by households and non-profit organisations	0.6	-0.1	1.0	0.9	0.8	0.8	0.9	0.9
General government consumption and investment	0.4	1.1	0.4	1.5	0.7	0.6	0.6	0.7
Petroleum investment	-0.3	-0.1	-0.4	0.4	-0.2	0.0	0.2	0.1
Housing investment	0.5	0.7	0.7	0.7	0.4	0.0	-0.2	-0.2
Other mainland investment	0.9	0.2	0.4	-0.4	0.2	0.2	0.3	0.2
Exports[1]	0.4	0.2	-1.0	1.8	0.3	0.4	0.6	0.6
Other deviations[1]	-0.6	-1.4	0.4	-2.2	-0.3	0.3	0.1	0.0
Growth in mainland GDP	1.9	0.5	1.5	2.6	1.9	2.2	2.4	2.2

[1] See footnotes to Figure 1.
Source: Statistics Norway..

Table 3. Main economic indicators 2016-2020. Accounts and forecasts. Percentage change from previous year unless otherwise noted

	Accounts	Forecasts									
	2016*	2017			2018			2019		2020	
		SN	NB	MoF	SN	NB	MoF	SN	NB	SN	NB
Demand and output											
Consumption in households etc.	1.6	2.2	1.9	2.1	2.2	2.2	2.5	2.5	1.9	2.5	1.7
General government consumption	2.3	1.9	2.4	1.9	1.8	1.2	..	1.9	1.1	2.5	1.2
Gross fixed investment	0.3	2.4	..	1.9	1.9	..	2.7	2.4	..	1.2	..
Extraction and transport via pipelines[1]	-16.4	-7.1	-9.8	11.6	-1.6	3.4	-4.0	6.1	5.2	1.9	4.9
Mainland Norway	6.2	5.4	..	..	2.5	..	..	1.5	..	1.0	..
Industries	3.1	3.3	..	2.0	4.6	..	..	5.0	..	4.2	..
Housing	9.9	8.4	11.3	7.9	-0.2	2.9	3.8	-3.6	0.8	-4.6	0.2
General government	6.9	5.1	..	5.1	2.5	..	..	2.3	..	2.2	..
Demand from Mainland Norway[2]	2.7	2.8	2.9	2.8	2.2	2.4	2.5	2.1	1.9	2.2	1.5
Stockbuilding[3]	0.3	0.0	..	..	0.1	..	..	0.0	..	0.0	..
Exports	-0.5	1.0	..	1.1	1.4	..	0.4	2.4	..	2.8	..
Traditional goods[4]	-8.2	1.6	2.9	2.8	3.4	3.4	5.5	4.2	3.2	3.8	..
Crude oil and natural gas	4.1	0.1		-0.4	0.4		-4.4	0.9		2.4	..
Imports	0.8	2.3	0.3	2.5	1.8	2.9	3.0	2.5	3.3	2.5	2.3
Traditional goods	-1.1	3.0	..	3.6	3.1	..	4.4	3.7	..	3.3	..
Gross domestic product	1.1	1.6	1.0	1.5	1.9	1.1	1.2	2.1	1.4	2.2	2.4
Mainland Norway	0.9	1.9	1.6	1.6	2.2	2.0	2.4	2.4	2.2	2.2	2.2
Labour market											
Employed persons	0.2	0.6	0.6	0.6	0.7	0.9	0.9	0.8	1.0	0.7	1.0
Unemployment rate (level)	4.7	4.3	4.3	4.3	4.2	4.1	4.1	4.1	4.0	4.0	3.8
Prices and wages											
Annual earnings	1.7	2.3	2.5	2.4	3.1	2.8	..	3.4	3.1	4.0	3.3
Consumer price index (CPI)	3.6	2.1	2.2	1.9	2.1	1.3	1.6	2.1	1.2	2.4	1.4
CPI-ATE[5]	3.0	1.7	1.7	1.7	1.8	1.5	1.8	1.9	1.3	2.1	1.4
Export prices, traditional goods	4.3	5.4	..	..	2.7	..	..	1.8	..	1.9	..
Import prices, traditional goods	1.5	2.3	..		3.1	..	..	2.0	..	1.6	..
Housing prices	7.0	6.8	8.9.	..	-1.1	2.0	..	-2.7	1.5	-1.2	1.4
Balance of payment											
Current balance (bill. NOK)	152	209	..	192	220	..	153	246	..	275	..
Current balance (per cent of GDP)	4.9	6.3	..	5.8	6.4	..	4.5	6.7	..	7.2	..
Memorandum items:											
Real disposable income	-1.5	1.9	..	..	2.7	..	..	2.6	..	2.5	..
Household savings ratio (level)	7.2	6.4	..	9.2	6.8	..	..	7.0	..	7.4	..
Money market rate (level)	1.1	0.9	1.0	1.0	0.9	0.8	1.1	0.9	0.9	1.3	1.5
Lending rate, credit loans (level)[6]	2.6	2.5	..	..	2.4	..	..	2.4	..	2.7	..
Crude oil price NOK (level)7	378	454	..	444	481	..	437	508	..	528	..
Export markets indicator	3.1	4.0	..	..	4.4	..	..	4.4	..	4.3	..
Importweighted krone exchange rate (44 countries)[8]	1.9	-0.7	-2.3	-2.0	0.4	-0.7	1.0	0.0	-0.8	0.0	-0.3

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] Norges Bank publishes projections for traditional goods, travel, and other mainland transport services.
[5] CPI adjusted for tax changes and excluding energy products (CPI-ATE).
[6] Yearly average.
[7] Average spot price, Brent Blend.
[8] Increasing index implies depreciation. Ministry of Finance forecasts trade-weighted exchange rate.
Source: Statistics Norway (SN), Ministry of Finance, the National Budget (2016-2017), (MoF), Norges Bank, Monetary Policy Report1/2017 (NB).

at 4.4 per cent in July 2016, the rise in the consumer price index (CPI) had subsided to 2.2 per cent in April 2017. Like last year, the wage settlement in the wage leader segment (manufacturing) ended with a norm of 2.4 per cent for wage growth. We expect this to be the norm for pay increases in other industries, in line with the wage leader model. The structural effects of factors such as the sharp decline in employment in high-paid petroleum-related industries are expected to be smaller this year than last. Annual wage growth for the economy as a whole is accordingly projected to be 2.3 per cent in 2017, compared with 1.7 per cent last year. Our projections indicate annualised average CPI inflation of 2.1 per cent, so that real wage growth this year can be projected at 0.2 per cent. Profitability in manufacturing (the wage leader), is improving in pace with the economic situation and this, together with slightly lower unemployment, will lead to real wage growth picking up somewhat in the years ahead.

Household consumption increased markedly in the fourth quarter of 2016, following very low growth earlier in the year, and consumption in the first quarter of 2017 increased almost as much. Income growth will increase somewhat going forward and, according to our projections, consumption growth will also rise gradually. As a result of extensive residential construction, house prices will fall a little in the near term, following three years of very high price inflation. This will have the effect of checking consumption.

We expect growth in housing investment, which has been high since early 2015, to slow through the remainder of 2017 and then reverse into a decline. Housing starts have showed a clear tendency to taper off since a little way into the second half of last year. Nevertheless, our projections show that housing investment will increase by 8.4 per cent in 2017 as an annual average. In the years ahead, housing investment is likely to fall somewhat, but to remain at a high level. A moderate cyclical upturn in the near term is due to increased mainland business investment and exports, coupled with the fact that the decline in petroleum sector demand is coming to a halt and will turn into cautious growth.

The cyclical downturn of 2014 was quickly reflected in very modest employment developments. Unemployment therefore increased appreciably and, according to the Labour Market Survey (LFS), rose to almost 5 per cent in the third quarter of 2016. Since then, unemployment has decreased slightly across the board, to 4.3 per cent in the first quarter of this year. Employment has picked up a little, but the fall in unemployment is primarily due to a contraction of the labour force. There was a decline of 25 000 persons from the first quarter of 2016 to the first quarter of 2017. However, the most recent LFS figures show that the labour force has increased a little recently, which is reflected in the average unemployment rate for the period February to April 2017 rising to 4.5 per cent. We assume that this is primarily an expression of random variation, and not a sign of an underlying increase in unemployment. Our projections point to an increase in both employment and the labour force going forward, and to unemployment only being moderately reduced. We expected unemployment to be 4.3 per cent as an annual average this year, falling gradually to 4.0 per cent in 2020.

The cyclical upturn both at home and abroad appears likely to be a fairly modest one. After almost four years of recovery, our projections indicate that mainland GDP will just rise above trend at the end of 2020, and only then be out of the current slump. This is consistent with the key policy rate being kept at today's record-low level right until 2020, and then raised twice by 0.25 percentage point each time. A typical mortgage rate such as that on loans secured on dwellings may thus remain close to 2.5 per cent for a long time, but will approach 3 per cent right at the end of 2020. In this scenario, the krone exchange rate is expected to remain fairly stable and at a historically weak level.

In our projection, the fall in house prices will dampen the cyclical upturn, first and foremost by inhibiting housing investment. Should the housing market show more positive developments in the near term, for example if real house prices instead remain unchanged, the underlying cyclical upturn is likely to be substantially stronger; see Box 1. This could lead to a somewhat tighter monetary policy. An interest rate path that involves gradually increasing the policy rate by 0.75 percentage point more than we have assumed, which can be regarded as an upper limit for the monetary policy response, would bring GDP approximately back to the projection scenario.

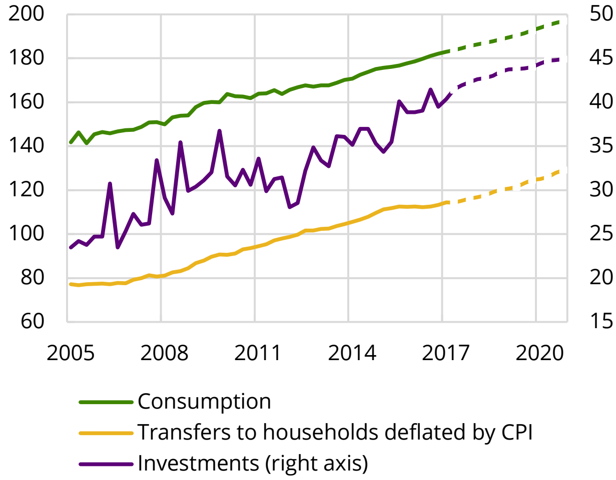
Expansionary fiscal policy also in 2017

Fiscal policy stimulated growth in the Norwegian economy in 2016. General government consumption increased by 2.3 per cent from 2015 to 2016, while gross investment increased by nearly 7 per cent. Some of the high growth was due to increased defence investment with little impact on Norwegian output, but gross non-military investment also increased appreciably. Public transfers to households only increased by 3.9 per cent, so that real growth in transfers was only just positive as a result of the high inflation in 2016. Overall real growth in these three expenditure components was over 2 per cent in 2016, which is slightly higher than projected trend growth in the mainland economy. Reduced tax rates in 2016 contributed to fiscal policy being clearly expansionary on balance.

The Revised National Budget 2017 (RNB 2017) estimates that the structural non-oil budget deficit (SNOBD) as a percentage of trend mainland GDP increased by 0.7 percentage point from 2015 to 2016. This accounted for 2.6 per cent of the value of the Government Pension Fund Global at the start of 2016, and was thus lower than the recently adjusted norm of 3 per cent imposed by the fiscal rule.

Figure 2. General government

Seasonally adjusted, billions of 2014 NOK per quarter



Source: Statistics Norway.

Our projections for fiscal policy in 2017 are based on RNB 2017. Consumption growth this year is forecast to be a bare 2 per cent, and gross general government investment to be 5 per cent. The rise in investment in 2017 is largely a consequence of increased purchases of fighter aircraft (from 2 aircraft in 2016 to 6 per year going forward). Growth in household transfers will be weak also in 2017 as a result of the low wage growth. Considerably lower inflation this year will nonetheless push up real growth to about 1.5 per cent. Real growth in the three main expenditure components is now projected to be 2.2 per cent in 2017, roughly the same as in 2016.

The budget adopted by the Storting for 2017 entails a reduction in overall taxation compared with 2016. The tax rate on ordinary income for companies and personal taxpayers has been reduced from 25 to 24 per cent with effect from 2017. The system for petroleum tax and power supply taxation is being adjusted so that these two industries are not appreciably affected. Bracket tax on high personal income has been increased, so that most of the revenue loss on personal taxpayers due to reduced tax on ordinary income will be recouped through other income taxes. Tax equivalent to 5 per cent of pay has been introduced for the financial sector, and the industry will pay higher tax on ordinary income (25 per cent instead of 24 per cent). Initial write-offs on machinery have also been eliminated, and minor changes have been made in other aspects of business sector taxation.

In RNB 2017, the Government proposes a number of minor adjustments to direct and indirect taxes, resulting in a total accrued revenue loss of almost NOK 2 billion in 2017, but only NOK 300 million recorded. This results in a slightly more expansionary fiscal policy than previously projected. A downward reduction in transfers to households will have a countering effect. RNB 2017 forecasts that SNOBD as a share of trend GDP will increase by 0.5 percentage point from 2016 to 2017. SNOBD as a share of the capital in the Government Pension Fund Global at the beginning of 2017 is 2.9 per cent, and thus in line with the adjusted fiscal rule.

No fiscal policy has been adopted for the years 2018–2020. We assume that underlying general government consumption growth will be about 2 per cent annually. There is some variation around this level for the individual years, but this is due to differences in the number of working days, which means that the number of man-hours worked per year will vary. When it comes to gross general government investment, we have assumed a moderate increase in investment in civil infrastructure. As mentioned, the purchase of fighter aircraft for the Armed Forces substantially increases investment in 2017, but we expect no new impulses in this area in the years 2018–2020.

The tax compromise based on the Scheel Committee's report means that the tax rate on ordinary income is expected to be reduced further to 23 per cent in 2018. We assume that there will be a simultaneous upward adjustment of tax rates for those liable for advance tax, so that only mainland enterprises are affected by the change. The loss of revenue due to this change is projected to be close to NOK 3 billion in 2018. We have assumed that fuel taxes will increase in 2018, yielding revenue of NOK 3 billion, and that there will be a similar increase in 2019 and 2020 as well. These increases in indirect taxes will add about 0.2 percentage point to CPI inflation each year. Real growth in pension transfers to households will be slightly more than 2 per cent annually in the period 2018 to 2020. Other transfers are expected to grow somewhat less. We have not made assumptions about changes in (real) direct tax rates after 2018. The assumed increase in environmental taxes implies a small increase in overall taxes in 2019 and 2020. On balance, our projections, coupled with an extrapolation of the growth projections for expenditure, imply an approximately cyclically neutral fiscal policy in 2018 and a slight tightening in 2019 and 2020.

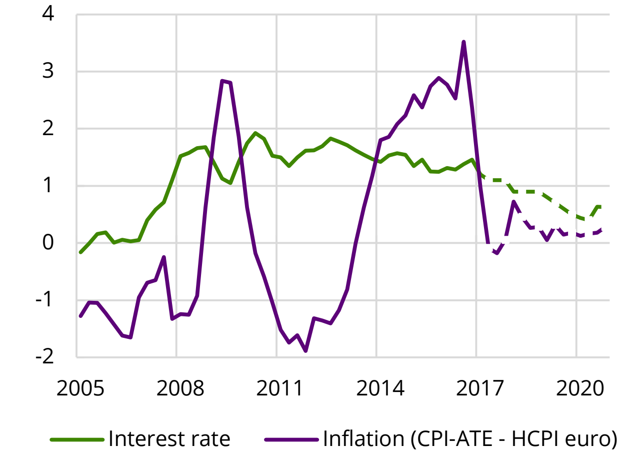
The Government Pension Fund Global amounted to NOK 7 510 billion at the beginning of 2017 and NOK 8 100 billion at the beginning of June 2017. Our fiscal policy projections indicate that SNOBD will remain at close to 3 per cent of the Fund›s value going forward.

Low interest rate and weak krone

Since the reduction of the key policy rate to 0.5 per cent in March 2016, the spread between the policy rate and the money market rate has increased. The money market rate was an annualised 1.1 per cent in 2016, approximately the same as in the fourth quarter of 2015. At the end of 2016, the money market rate was as up at 1.2 per cent. So far this year it has fallen, and at the beginning of June was 0.9 per cent.

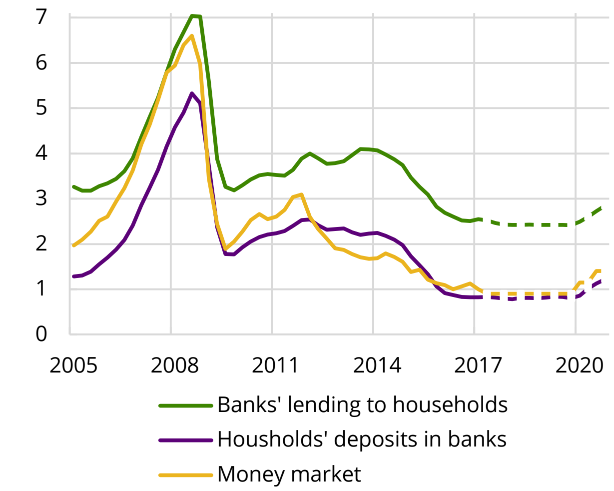
Movements in deposit and lending rates indicate that banks expected the money market rate to fall more than

Figure 3. Interest rate and inflation differential between Norway and the euro area
Percentage point



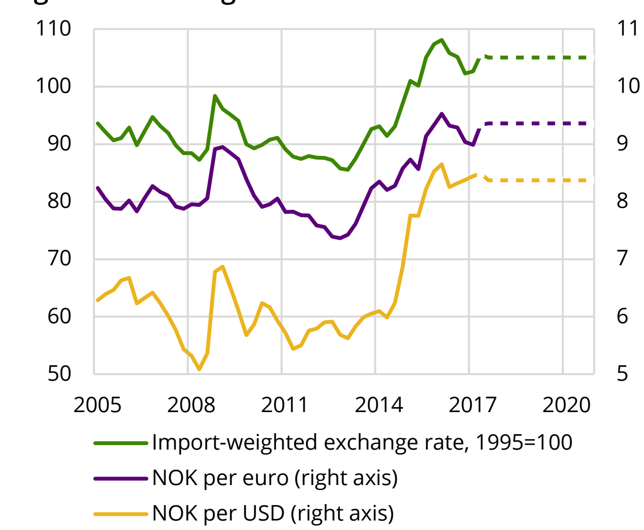
Source: Norges Bank and Statistics Norway

Figure 4. Norwegian interest rates
Percent



Source: Norges Bank and Statistics Norway

Figure 5. Exchange rates



Source: Norges Bank

it did last year. Interest rates on new loans secured on dwellings fell by 0.2 percentage point from January to May 2016, and then remained unchanged until banks began to increase their rates in December last year. In March this year, interest rates on new loans secured on dwellings had reached the same level as in January 2016. Interest rates on outstanding loans are nevertheless lower now than at year end 2015/2016. Whereas the average interest rate on these loans was 2.7 per cent at the end of the fourth quarter of 2015, it was 2.6 per cent at the end of the first quarter of this year, after being down to 2.5 per cent for much of 2016.

The krone appreciated from a very low level in January 2016 to February this year. The value of the krone in relation to the euro strengthened from 9.60 to 8.90 as a monthly average. The krone has subsequently depreciated again, and at the beginning of June the exchange rate was 9.50. The picture is roughly the same if the import-weighted krone exchange rate is used as a measure of developments. The currencies in the import-weighted exchange rate basket fell by 7 per cent from January 2016 to February this year, and rose by 4.6 per cent from February to May this year.

Mainland GDP growth was lower than trend for a long period, but first-quarter growth was higher than trend. Although growth will remain higher than trend in the near term, the increase is modest, and only just sufficient to bring the economy out of the cyclical downturn right at the end of the projection period. Inflation measured by the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) will remain well under the inflation target for much of the projection period, rising from 1.7 per cent this year to about 2 per cent in 2020. According to our projections, house prices will level off in the course of 2017 and fall nominally in subsequent years. On the basis of this economic scenario we expect the key policy rate to remain at the present low level for a long time to come, and we have assumed in our projections that no rate increase will take place before 2020. The money market rate will then remain at 0.9 per cent from the current year until 2019 before rising to 1.3 per cent in 2020. The low level of money market rates will lead to the interest rate on loans secured on dwellings falling by 0.1 percentage point, to 2.4 per cent, in 2018 and 2019. In 2020 the interest rate on loans secured on dwellings will rise to 2.7 per cent, so the interest rate level will remain very low throughout the projection period.

The money market rate in the euro area is expected to rise by almost one percentage point by 2020, from the current negative level to 0.7 per cent in 2020. In isolation, this will have the effect of weakening the krone. Inflation in Norway, measured by the CPI-ATE, will be roughly the same as in the euro area, and thus have little effect on the value of the krone. A rise in oil prices points to a stronger krone. On balance we have therefore assumed a krone exchange rate at approximately the current level for the next few years.

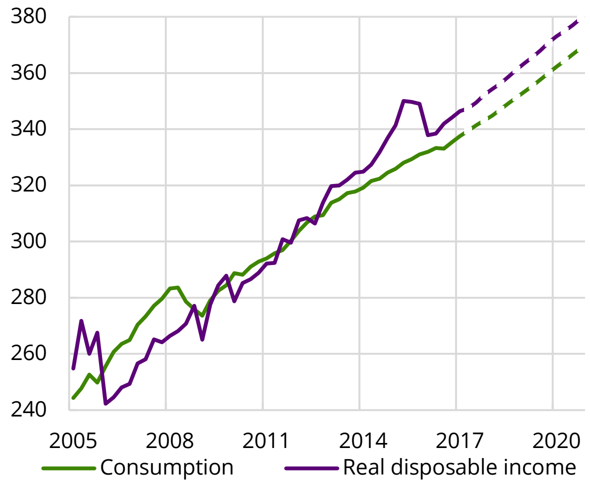
Continued moderate consumption growth

Consumption by households and non-profit organisations rose markedly in the fourth quarter of 2016 after very modest growth earlier in the year. According to the QNA, consumption grew by 0.6 per cent in the first quarter of this year, only slightly less than the previous quarter. An increase of 0.2 per cent was recorded for goods consumption. Food purchases increased by a whole 2.2 per cent, thereby pushing up goods consumption by about half a percentage point. Purchases of vehicles and furniture and white goods also exhibited a pronounced rise in the first quarter of the year. However, electricity consumption fell by as much as 4 per cent as a consequence of a mild winter, thereby pushing down goods consumption by just over 0.2 percentage point. The underlying developments thus appear to be a little better even than indicated by the aggregate figure itself. However, seasonally adjusted figures show that goods consumption only increased by 0.1 per cent from March to April this year. Purchases of cars pushed figures down, while purchases of other goods, including clothing, footwear and sports equipment, pushed them up. A broad-based increase in services consumption of 0.7 per cent in the first quarter, or about 3 per cent as an annualised rate, is on a par with growth through 2015 and 2016.

Developments in consumption are largely determined by changes in households' income and wealth and the interest rates they face. Real disposable income fell by 1.5 per cent in 2016, following growth of a full 5.3 per cent the previous year. This decline is attributable to a sharp rise in share dividend disbursements in 2015, probably motivated by expectations of higher taxes on such income from 2016. If we exclude disbursements of share dividends, real disposable income still only increased by 1.1 per cent in 2016, 1.5 percentage point less than the previous year. Wage income is the primary source of household income, and for many years has made the most important contribution to growth in real disposable income. However, as a result of a pronounced fall in real wages and almost zero employment growth, wage income contributed to pushing down growth in real disposable income last year. Public transfers also made a modest contribution to income growth last year. Sickness benefit and provider's benefits fell, and pensions, which are adjusted according to wages, underwent little real increase even though the number of pensioners increased. Nor did net interest income make a contribution of any significance to income growth. However, lower income and wealth tax helped to push up real income.

Figure 6. Household income and consumption

Seasonally adjusted, billions of 2014 NOK per quarter



Source: Statistics Norway

According to the quarterly income and capital accounts, seasonally adjusted real disposable income excluding share dividends fell by almost 2.5 per cent in the first quarter of this year, after a lesser fall in the fourth quarter of 2016. Underlying these developments is continued weak growth in wage income and a strong rise in prices for private consumption. We expect real wage growth to improve substantially going forward, and that employment will pick up in the course of the economic recovery. Public transfers may also contribute appreciably to growth in real disposable income through the projection period. However, net interest income will not make any significant contribution to growth, because the interest rates facing households will not change appreciably in the next few years.
In sum, we expect growth in real disposable income excluding share dividends of around 2 per cent this year. The increased growth in real income, coupled with higher real house prices this year, will push up consumption growth. A fall in real house prices the following three years will have the effect of depressing consumption growth, however, but the effects of this will be neutralised by income growth picking up a little more in the years 2018 to 2020. Overall, our projections imply consumption growth of just over 2 per cent this year and around 2.5 per cent in 2019 and 2020.

Households have long displayed a tendency to increased saving in financial and real assets. Saving as a

Table 4. Real disposable income by households and non-profit organisations. Percentage growth compared with previous year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total	-6,4	6,2	3,5	3,2	2,3	4,2	4,5	3,8	2,8	5,3	-1,5	1,9	2,7	2,6	2,5
Excl. share dividends	4,5	5,0	2,8	3,4	1,9	4,2	4,4	3,7	2,3	2,6	1,1	1,9	2,4	2,4	2,3

Source: Statistics Norway.

Box 1. How will our projections be affected by more positive developments in the housing market?

Our general impression is that the economy is now in a cautious cyclical upturn, as a result of reduced negative impulses from the petroleum industry, a turnaround to increased exports and slightly higher mainland private sector demand growth. However, the upturn is expected to be moderate, and growth in the projection scenario is only slightly over trend. One important reason for this is that house prices are expected to fall in the years ahead, which will result in a relatively pronounced fall in housing investment. In this box, we consider how the economic outlook might be changed by a more positive housing market. More specifically, we study an alternative scenario in which real house prices remain unchanged from the third quarter of this year (defined as an underlying nominal increase of 2 per cent annually).

Such a scenario is conceivable if measures to restrain lending should be withdrawn, of if households were to view the future more optimistically than we have assumed. In the model, we have based our calculations on the latter explanation. However, within the projection horizon, the consequences for most main macroeconomic aggregates are almost unaffected by which causal factor is made the basis for house prices not falling.

The housing market influences the economy through a number of channels. Many of these channels are incorporated in our representation of the Norwegian economy – the KVARTS model. Higher house prices stimulate residential construction. As shown in the table, more positive house price developments lead to housing investment remaining virtually unchanged in the years ahead, instead of falling by a total of 8 per cent from the level in 2017. This will help to raise the level of mainland economic activity compared with the baseline scenario.

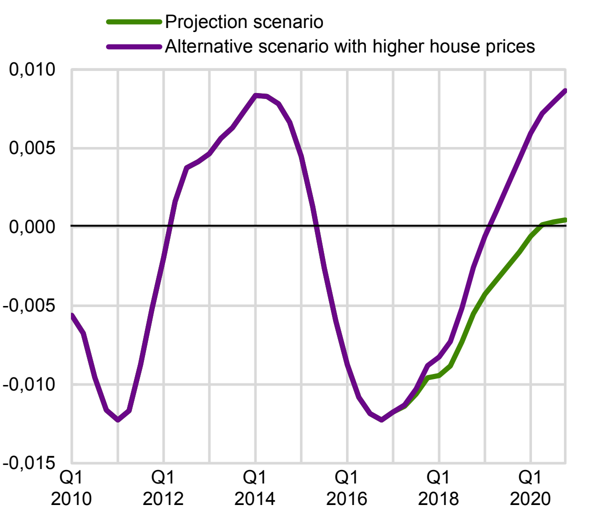
In isolation, increased activity boosts household income. However, the income is dampened by higher interest rate expenses, because debt increases when the underlying collateral for loans and housing investments rises. The more the rise in house prices is driven by slacker lending, the stronger the negative impact. In addition to the income effect, consumption is positively affected through a direct wealth effect when housing wealth increases. The combined effect is to raise consumption growth by 0.4 and 0.5 percentage point in 2018 and 2019 respectively, and by 0.3 percentage point in 2020, all compared with the baseline scenario.[1]

The analysis also shows that mainland GDP growth would be 0.2 percentage point higher next year and 0.3 percentage point higher in 2019 and 2020 if house prices remained unchanged in real terms rather than falling as they do in the baseline scenario. This would result in a more pronounced cyclical upturn. According to the projection it would also have raised the activity level above trend, and thus into an expansion, from year-end 2018-2019. In the baseline scenario, the economy remains in a (increasingly mild) slump until the first half of 2020. The unemployment rate would fall to 3.9 per cent in 2020, compared with 4.0 per cent in the baseline scenario.

In the scenario outlined above, Norges Bank might conceivably raise the interest rate somewhat more than we have assumed in the baseline scenario. All else being equal, this would have reduced the differences between the two scenarios. Our calculations show that two interest rate increases of 0.25 percentage point in 2018 and one in 2019 would be necessary for the output gap to be the same towards the end of the projection horizon in the two scenarios. Such a monetary policy would have caused the interest rate differential against the euro zone to be larger in the years immediately ahead, and the krone exchange rate to be 2 to 3 per cent stronger than in the projection scenario at the end of 2020.

[1] If the whole rise in house prices is a result of slacker lending, consumption will be increased by 0.1 percentage point less in 2019 and 2020.

Mainland GDP. Deviation from estimated trend in per cent



Source: Statistics Norway.

Growth in per cent. Projection scenario and alternative scenario with higher house prices

	2017	2018	2019	2020
Baseline scenario				
Housing investment	8.4	-0.2	-3.6	-4.6
Household real disposable income	1.9	2.7	2.6	2.5
Consumption by households etc.	2.2	2.2	2.5	2.5
Unemployment (level)	4.3	4.2	4.1	4.0
Mainland GDP	1.9	2.2	2.4	2.2
House prices	6.8	-1.1	-2.7	-1.2
Alternative scenario with higher house prices				
Housing investment	8.4	0.7	-0.6	-0.2
Household real disposable income	1.9	2.7	2.7	2.7
Consumption by households etc.	2.2	2.6	3.0	2.8
Unemployment (level)	4.3	4.2	4.0	3.9
Mainland GDP	1.9	2.4	2.7	2.5
House prices	7.7	2.4	2.0	2.0

Source: Statistics Norway.

share of disposable income increased from a level of just over 3.5 per cent in 2008 to over 8 per cent in 2014. Because of the high disbursements of share dividends, the saving ratio increased further to a level of around 10.5 per cent in 2015. The saving ratio excluding share dividends increased by about 4 percentage points from 2008 to a level of around 5 per cent in 2015. We have previously pointed out that some of the increased saving after the financial crisis in 2008 can probably be attributed to precautionary saving. In other words, households reduce their consumption when the future appears uncertain. The increase in the saving ratio in recent years may also be partly attributable to the ageing of the population and the pension reform that was introduced on 1 January 2011. According to quarterly income and capital accounts, the seasonally adjusted saving ratio, both including and excluding share dividends, fell through 2016 to annual averages last year of 7.2 and 3.8 per cent, respectively. The saving ratio both including and excluding share dividends fell further in the first quarter of 2017. In periods of weak income developments, like last year and the first quarter of this year, households will tend to smooth consumption somewhat, causing the saving ratio to fall. Given the assumptions made here with regard to income, consumption and wealth, the saving ratio will pick up slowly again from next year.

Stagnating house prices

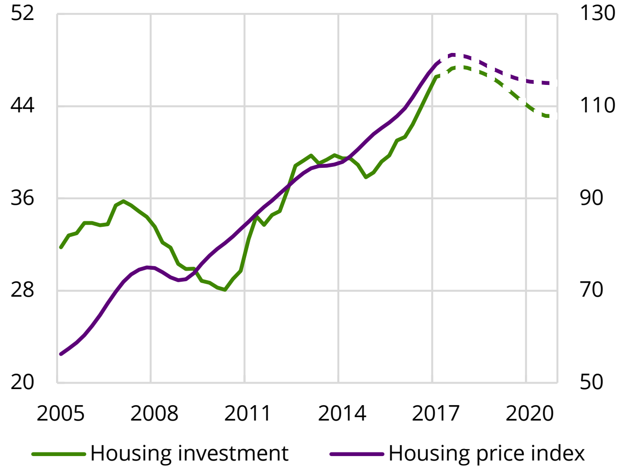
According to Statistics Norway›s seasonally adjusted house price index, house prices rose 1.7 per cent in the first quarter of 2017 compared with the previous quarter. This represents a slowing of the strong rise in house prices through the second half of last year, when house prices rose 3.2 per cent in the third quarter and 2.7 per cent in the fourth quarter. As an annual average, house prices were 7.1 per cent higher in 2016 than in 2015. Given no change in house prices from the first quarter and for the remainder of the year, the annualised average house price rise will be just under 6 per cent from 2016 to 2017.

The monthly house price statistics from Real Estate Norway showed an even stronger rise in house prices in 2016. However, this index, too, showed the rise in prices as slowing in the first four months of this year. House prices adjusted for normal seasonal variations were unchanged in April, according to this index, while observations for May showed a decline of 0.7 per cent compared with April. The large regional differences in house price inflation seen in the last couple of years are also being gradually reduced.

In the long term, house prices are positively influenced by an increase in household real disposable income and by lower real interest rates after tax, while they are depressed by an increased supply of new dwellings. In our calculations we also take into account that household borrowing and house prices mutually influence one another, so that measures that reduce borrowing also curb the rise in house prices.

Figure 7. Housing market

Seasonally adjusted. Left axis: billions of 2014 NOK per quarter. Right axis: index, 2014=100



Source: Statistics Norway

Lending rates fell a little through 2016, and have remained stable at a low level this year. This stimulates borrowing, and domestic credit, measured as the 12-month growth in private and municipal sector debt (C2) has shown a rising tendency, from less than 6 per cent in the first half of 2016 to over 6.5 per cent in the first four months of this year.

In the short term, house prices are influenced by changes in households' expectations of developments in both their own financial situation and the Norwegian economy. The consumer confidence indicator of Kantar TNS and Finance Norway provides a measure of these expectations. In the first quarter of 2017, there were roughly as many optimists as pessimists among the respondents, whereas the index for the second quarter showed a clear increase in the number of optimists. Assessments of the Norwegian economy in particular have improved this last quarter. We have assumed that households will not substantially change this assessment of the economic outlook in the second half of 2017, and that after that the consumer confidence indicator will rise only slowly in pace with an improved economic situation going forward.

The tightening of the mortgage regulations from 1 January 2017, which make it a little more difficult to obtain a mortgage, are expected to be reflected in reduced credit growth from the second quarter of this year onwards. We expect the increase in household gross debt to reach 5.5 per cent in 2017 and then remain in the range of 4.5 to 5 per cent through the projection period. Growth in household real disposable income will be slow also in 2017. We expect this – coupled with an increased housing supply –to be a marked constraint on the rise in house prices for the rest of 2017. Since house prices rose sharply through both 2016 and the first quarter of 2017, the annualised rise in house prices will nonetheless be close to 7 per cent in 2017.

Although households have slightly higher real disposable income and will continue to face real interest rates of around zero for a long period, our projections indicate that house prices will fall nominally for the remainder of the projection period. Our projections indicate a 1 per cent decline in house prices in 2018, slightly over 2.5 per cent in 2019 and about 1 per cent in 2020. The reason for this reversal is to some extent tighter credit, but first and foremost the record-high housing investment in 2016 and then well into 2017.

According to the QNA, housing investment rose by 9.9 per cent in 2016, and the area of housing starts was more than10 per cent larger in 2016 than the previous year. Seasonally adjusted housing start figures are still at a high level, but developments through 2016 and into the first four months of 2017 show clear signs that these are levelling off. According to the QNA, housing investment was 3 per cent higher in the first quarter of 2017 than in the previous quarter.

We expect housing investment also to level off in pace with falling real house prices and then gradually decline. Because of high growth through 2016 and into 2017, our projections nonetheless indicate housing investment growth of over 8 per cent in 2017 as an annual average. Despite near zero growth in 2018, and a fall of around 3.5 per cent in 2019 and 4.5 per cent in 2020, the level of housing investment in 2020 will be only 0.5 per cent lower than in the peak year of 2016, and will thus remain at a historically very high level.

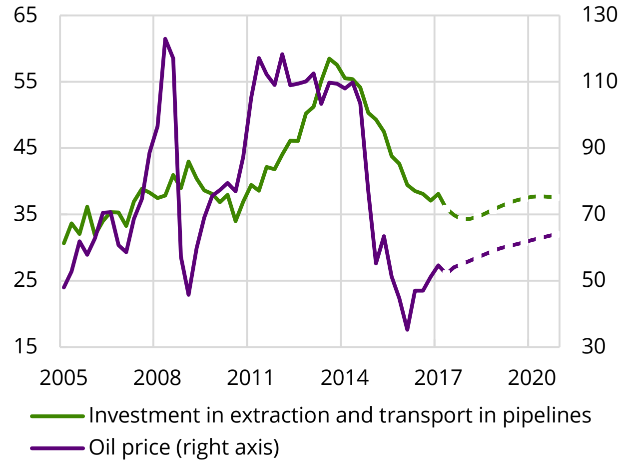
The fall in petroleum investment is coming to an end

Petroleum investment fell by about a third from the peak in the third quarter of 2013 to the first quarter of 2017. Relatively weak profitability triggered the fall in petroleum sector investment, and the trend was strongly reinforced by the plummeting oil price towards the end of 2014. Fewer development projects appeared profitable, and incentives to find new fields diminished.

Petroleum investment fell by 13 per cent through 2016 but, according to preliminary QNA figures, increased by 2.7 per cent in the first quarter of this year compared with the previous quarter. Investment in oil production platforms, drilling rigs and modules helped to push investment up, while investment in oil drilling and exploration and pipelines declined slightly. We do not believe the first quarter increase represented a more permanent change in investment. There are prospects nonetheless that the launch of many investment projects is relatively close at hand, and we assume that there will be a moderate reversal to growth from the upcoming year-end.

According to Statistics Norway›s published statistics, licensees on the Norwegian continental shelf anticipate nominal investment cuts of 9.1 and 7.1 per cent in 2017 and 2018, respectively. These figures must be interpreted rather differently from the corresponding investment expectations in manufacturing and power supply. Whereas manufacturing and power supply enterprises report all expected investment plans, petroleum companies only report investment plans for which a plan for development and operation (PDO) of a petroleum deposit has been submitted to the authorities. We assume that PDOs for a number of development projects will be submitted to the authorities by the end of the year. The biggest of these projects are the Johan Castberg, Snorre Expansion, Pil & Bue and Snadd. A PDO is also expected to be delivered for the Skarfjell project by February 2018, and for Johan Sverdrup phase 2 in the second half of 2018. These projects will generate substantial investment in the years ahead.

Figure 8. Petroleum investments and oil price
Seasonally adjusted. Left axis: billions of 2014 NOK per quarter. Right axis: USD per barrel



Source: Statistics Norway

Lower development costs and a weakly rising oil price are important factors underlying the expected investment turnaround. We envisage that annualised average investment will dip a little in 2018, but then rebound, bringing investment in 2020 to the same level as in 2016. This will still be more than 30 per cent lower than the peak in 2013.

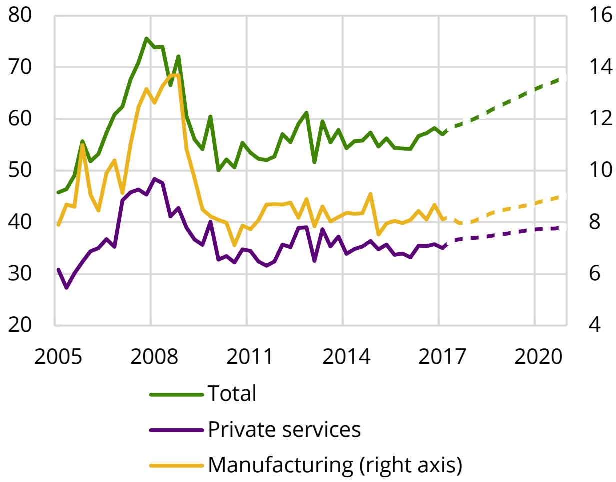
Oil production increased somewhat in 2016, while gas production remained roughly unchanged. Activity was somewhat reduced in the first quarter of 2017. We expect relatively stable oil and gas production in the near term. Oil production is expected to increase somewhat towards the end of the projection period, as some large projects reach completion.

Higher mainland business investment

Mainland business investment exhibited a positive tendency through 2016, following a weakly negative trend the preceding years. Investment in the fourth quarter of 2016 was 7.2 per cent higher than in the fourth quarter of 2015. However, in the first quarter of 2017, investment fell 2.1 per cent compared with the previous quarter.

Figure 9. Investment in mainland industries

Seasonally adjusted, billions of 2014 NOK per quarter



Source: Statistics Norway

The first quarter fall in investment was relatively broad-based. Investment in manufacturing and services other than those associated with petroleum recovery fell by 6.4 and 2.3 per cent, respectively. In manufacturing, investment was mainly reduced in the production of industrial chemicals, while professional, scientific and technical services brought down service industry investment.

Statistics Norway›s most recent survey of manufacturing companies' projections for future investment indicates a moderate fall in investment of about 3 per cent in 2017. A decline is expected particularly in export-oriented industries such as oil refinement, chemicals and pharmaceuticals manufacturing and the metals industry. Conversely, an upswing is expected in the food industry, mainly driven by manufacturers who process and preserve fish. In 2018, growth of around 3 per cent is expected in overall manufacturing investment, driven mainly by growth in oil refinement and chemicals and pharmaceuticals manufacturing.

Companies' projections for investment in power supply indicate that growth will accelerate and be over 20 per cent in 2017. Further growth is expected in the distribution and production of electricity. The main grid is to be upgraded, and all power customers are to have smart electricity meters installed before 2019. Growth in electricity production is largely due to the development of several new wind farms and the upgrading of old power stations. The investment in wind farm projects must be viewed in conjunction with the subsidy scheme for increasing power production from renewable energy sources and the new rules for faster depreciation of operating assets in wind power plants that were approved by the EFTA Surveillance Authority in July 2016.

Norges Bank's regional network surveys economic developments in Norway – including expected future investment – by compiling information from businesses throughout Norway. The report published in March indicates roughly unchanged investment in retail trade over the next 12 months and some reduction in other services.

In the near term, we expect the combined investment of mainland industries to pick up to about 5 per cent in 2019, and then to decline a little. The upswing must be viewed against the backdrop of low interest rates and corporate tax relief, as well as the cyclical upturn in Norway and abroad. This investment growth is very modest compared with previous cyclical upturns, because both the global and the Norwegian upturn are expected to be very moderate. Given these developments, the investment level will be about 5 per cent lower in 2020 than in the peak investment year of 2008.

Moderate increase in traditional exports ahead

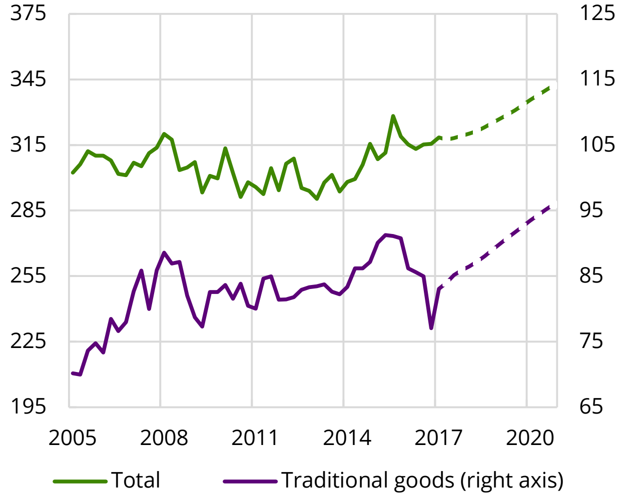
According to the preliminary QNA figures, the volume of traditional goods exports in 2016 was more than 8 per cent lower than in 2015. These exports have been falling since the third quarter of 2015, and by over 9 per cent in the fourth quarter of 2016. A sharp reduction in exports of refined petroleum products due to a maintenance shutdown on the production line accounted for about a third of the decline. We are a little more uncertain than usual about the information base, because customs declaration procedures have changed, while the pronounced fall in exports does not reflect correspondingly weak production developments. The sharp increase of almost 8 per cent in the first quarter of 2017 is therefore not a sign of underlying growth.

In the first quarter of 2017, refined petroleum products accounted for half of the overall increase in traditional exports. Exports of several other large product groups also increased, following a decline the previous quarter. These included farmed fish, wild fish and fish products, industrial chemicals and metals.

Weak global demand, particularly from petroleum activities in many countries, explains much of the reduced exports of traditional goods. This is expressed most clearly in the largest group of export products, engineering products, which have fallen for seven consecutive quarters. These exports have therefore fallen by almost 30 per cent. Exports of pharmaceutical products and electricity have fallen for the past two quarters. Exports of ships and boats, however, have increased appreciably in the last two quarters.

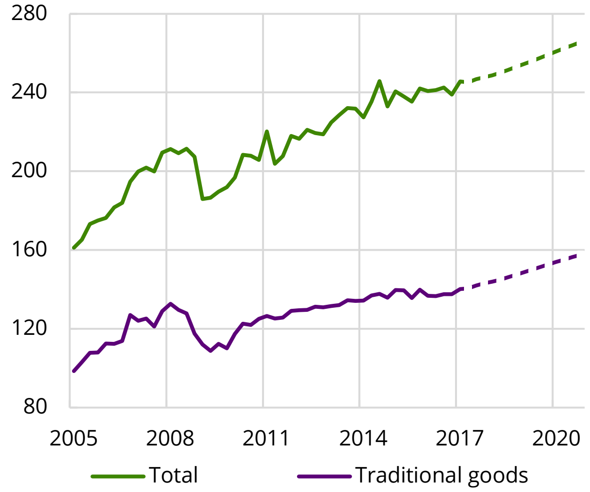
Oil and gas exports have grown by almost 10 per cent over the past three years. Despite a slight decline in exports of crude oil in the first quarter of this year, overall oil and gas exports appear to have reverted to the level in 2008/2009. Reduced exports of petroleum-related services caused a reduction in combined service exports of just over 2 per cent in the first quarter of 2017, after three quarters of growth. The reduction was broad-based however, as most of the large service

Figure 10. Exports
Seasonally adjusted, billions of 2014 NOK per quarter



Source: Statistics Norway

Figure 11. Imports
Seasonally adjusted, billions of 2014 NOK per quarter



Source: Statistics Norway

groups showed a decline. Transport and communication services and foreigners' consumption in Norway have declined for the past two quarters, but this must be viewed in light of the preceding upswing.

The price index for traditional goods has risen for the past five quarters. After strong growth in the fourth quarter of 2016, the index almost levelled off in the first quarter of this year. Developments in prices for engineering products, farmed fish, wild fish and fish products, petrol and electricity exerted downward pressure on the index, while metal prices pushed it up. Oil and gas prices continued to rise in the first quarter, and were almost 30 per cent higher than prices in the first quarter of 2016. The price index for combined service exports has increased markedly in the last two quarters.

The depreciation of the krone in recent years has strengthened the cost-competitiveness of export companies and this is expected to stimulate exports of traditional goods and services in the near term. Exports of goods and services related to international petroleum activities will also pick up when oil prices appear to have reached an appreciably higher level than the trough in early 2016 and the industry has implemented various cost-cutting measures. Somewhat higher growth in other Norwegian export markets is also expected to lift exports of traditional goods and services in the next few years. Oil and gas production is expected to remain fairly stable for the next few years until the giant Johan Sverdrup field begins producing towards the end of 2019. Exports of oil and gas will then increase.

After virtually flat developments through 2016, imports of traditional goods increased by 2 per cent in the first quarter of 2017. The growth can be largely attributed to increased imports of chemicals, chemical and mineral products and engineering products. Growth in overall service imports is largely due to growth in imported services related to petroleum activities. Increased growth in domestic demand, a large portion of which is attributable to investment, is expected to stimulate imports during the projection period.

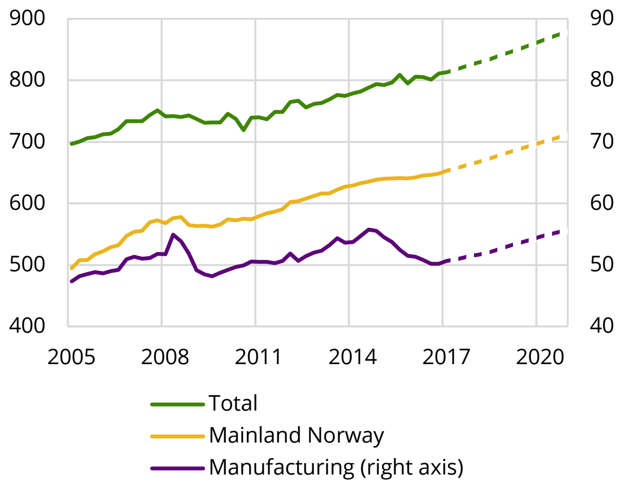
The sharp fall in the oil price contributed most to the strong reduction in the trade surplus in 2015 and 2016. However, weaker developments in prices for exports than for imports of traditional goods and services in 2015, and weaker developments in volumes of exports than in imports of traditional goods and services in 2016 also played a part. An anticipated rising oil price and slightly higher growth in mainland exports and imports will push up the trade surplus this year and through the projection period. In recent years, the balance of income and current transfers has strengthened considerably. Continued moderate profitability in the Norwegian economy, and in petroleum activities in particular will curb the growth in payments to other countries for the next few years. At the same time, a still weak krone is expected to contribute to relatively high incoming payments in Norwegian kroner from Norway's extensive and growing assets abroad. Although the balance of income and current transfers is expected to grow more moderately going forward, the increases in and the already high level of the surplus will contribute substantially to the current account surplus, calculated as a share of GDP, being projected to remain at 6–7 per cent in the period 2017–2020.

Cautious cyclical upturn

Mainland GDP increased by 0.6 per cent from the fourth quarter of 2016 to the first quarter of this year, or 2.6 per cent as an annual rate. This is appreciably higher than growth through 2016, and also higher than estimated trend growth for the Norwegian economy of about 2 per cent.

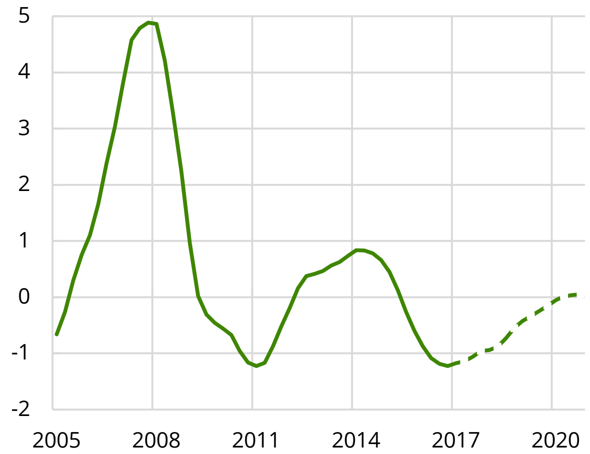
The cause of the economic downturn of recent years is reduced petroleum sector demand. This has had a particularly strong impact on manufacturing, which has experienced a more or less continuous fall in the

Figure 12. Gross domestic product
Seasonally adjusted, billions of 2014 NOK per quarter



Source: Statistics Norway

Figure 13. Mainland GDP
Deviation from estimated trend GDP in per cent



Source: Statistics Norway

activity level since the end of 2014. According to the preliminary national accounts figures, however, the negative trend came to a halt in the first quarter of this year. The decline did in fact continue for most petroleum-related manufacturing segments, such as manufacture of metal goods, machinery and shipbuilding, but growth in others less strongly linked to petroleum activities was high. This applied in particular to the food and commodities industries. Growth in these industries was strong enough to compensate for the fall in the oil-dependent manufacturing segments, with the result that aggregate manufacturing value added rose by 0.9 per cent in the first quarter.

Value added in other mainland goods production edged up 0.6 per cent from the fourth quarter of 2016 to the first quarter of this year. Growth in construction remains high, albeit somewhat lower than towards the end of 2016. The industry has long been an important driver of the Norwegian economy, largely as a result of low interest rates and large public sector investment projects. Activity is now at a very high level, so it is reasonable that the growth rate is slowing slightly. Developments in other goods-producing mainland industries, which are all to some extent subject to naturally occurring factors, were rather mixed in the first quarter. Power production fell by 0.9 per cent, thereby exerting downward pressure on mainland economic growth for the fourth consecutive quarter. The activity level in fishing, hunting and aquaculture rose, however, after a sharp fall in the fourth quarter last year.

Value added in service industries excluding general government increased by 0.4 per cent in the first quarter, after edging up only 0.1 per cent in the fourth quarter of 2016. Growth in service industries was moreover fairly broad-based, with solid advances in commercial services, information and communications and the hotel and restaurant industry. The latter is benefiting from the weak krone, which prompts more foreign tourists to visit Norway and Norwegians to spend more holidays in Norway. The exception among the service industries was services associated with oil and gas recovery, where output fell by as much as 4.8 per cent in the first quarter, following an overall fall of 15 per cent last year. This industry alone reduced mainland GDP growth by 0.2 percentage point in the first quarter.

Conversely, value added in general government rose 0.7 per cent in the first quarter, following similar growth in the fourth quarter of 2016. This growth rate is higher than the average for the last few years, and also appreciably higher than trend growth for the Norwegian economy as a whole.

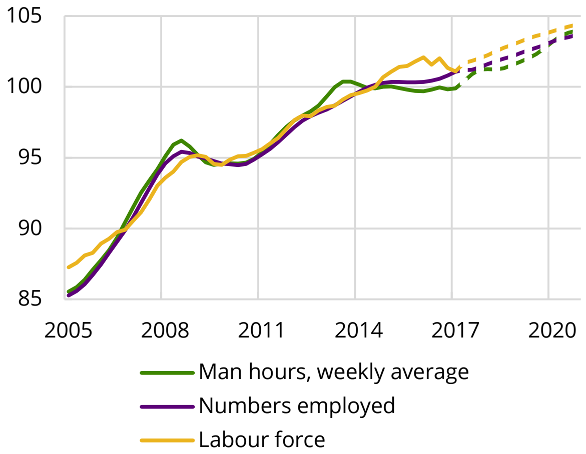
Going forward, we expect the upswing in the Norwegian economy to gradually take hold. In the short term, petroleum sector demand will certainly fall, but the decline is slowing, and after a while will give way to a moderate revival. The foundation will thereby be laid for a gradual increase in the activity level in the Norwegian economy.

This also applies to manufacturing, which has been hit particularly hard by the contraction in the petroleum industry. A number of manufacturing segments were in growth in the first quarter, and we expect the activity level to increase moderately through the remainder of the projection period. The expected growth must be viewed in light of the improved competitiveness of recent years due to a weaker krone and moderate wage growth. For those manufacturing segments that are most closely linked to the petroleum industry, the upswing is likely to come somewhat later.

That the cyclical downturn was not deeper is attributable to the construction industry, which has been an important driving force for the Norwegian economy in recent years. Our projections indicate that this industry will continue to grow substantially for the remainder of 2017, but that the growth will then slow as residential construction begins to decrease. Growth in public

Figure 14. Labour force, employment and man-hours worked

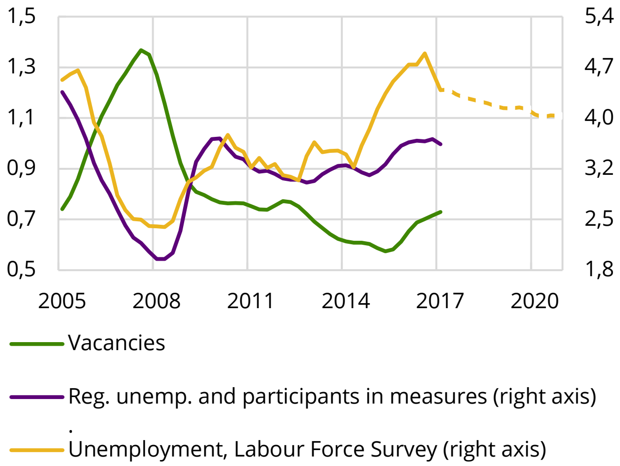
Seasonally adjusted and smoothed indices, 2014=100



Source: Statistics Norway

Figure 15. Unemployed persons and vacancies

Percent of labour force, seasonally adjusted and smoothed



Source: The Norwegian Labour and Welfare Service and Statistics Norway

investment in fixed assets will also be very moderate going forward, and this will have the same effect as the decline in residential construction, while mainland business investment may make up for some of this loss of growth impetus.

We expect the activity level in mainland service industries to pick up in the near term as the Norwegian economic upturn takes hold on a broader basis, while general government growth is expected to remain fairly stable and slightly lower than trend growth in the economy generally. We forecast that mainland GDP growth will be 1.9 per cent in 2017 and somewhat over 2 per cent for the next three years. Given that we estimate trend growth in the Norwegian economy to be approximately 2 per cent, the projections imply that the economy is in a very cautious economic upturn, and that this upturn will persist through the projection period.

Somewhat lower unemployment ahead

After growing at a rate of over 1 per cent from 2011 to 2014, employment dipped slightly through 2015, but edged up a modest 0.4 per cent from the fourth quarter of 2015 to the fourth quarter of 2016. This modest growth continued in the first quarter of 2017, when employment rose by 0.1 per cent. Despite the weak employment tendency, the contraction of the labour force has brought unemployment down from a peak of 4.9 per cent in the third quarter of 2016 to 4.3 per cent in the first quarter of this year. However, the most recent LFS figures show that the labour force has increased a little recently. Consequently, the average unemployment rate for the period February to April 2017 rose to 4.5 per cent.

The decline in the petroleum and related industries continued to exert downward pressure on overall employment in the first quarter of this year. Employment in crude oil and natural gas recovery has fallen each quarter since the second quarter of 2014, and the decline was 2.1 per cent in the first quarter of 2017. The employment decline was even more pronounced in services associated with the production of crude oil and natural gas,

There has been a fall since the fourth quarter of 2014 in employment in manufacturing segments that primarily supply the petroleum industry, such as shipbuilding and other transport equipment and repair and installation of machinery and equipment. However, the decline in the first quarter of 2017 was less pronounced than that observed through 2016. Employment in manufacturing as a whole fell by 0.9 per cent in the first quarter of 2017.

Industries that made positive contributions to overall employment were general government, construction and commercial services. General government employment rose 0.4 per cent in the first quarter, as in the last three quarters of 2016. In market-oriented activities, increased residential construction has contributed to high employment growth in the construction sector. The rise in employment in commercial services to some extent reflects higher temporary employment in staff recruitment agencies, which means that the labour market situation may be somewhat weaker than the unemployment figures indicate.

The most recent vacancy developments indicate increased growth in demand for labour. According to Statistics Norway's figures, the number of vacancies increased by 5.4 per cent from the first quarter of 2016 to the first quarter of 2017. Such a persistent rise in vacancy numbers has not been seen since 2012.

According to seasonally adjusted statistics from the Norwegian Labour and Welfare Organisation (NAV), the number of individuals registered as fully unemployed and the total of those registered as fully unemployed and on labour market programmes declined through the first five months of this year. In May 2017, about 1 300 fewer persons were registered as fully unemployed or on labour market programmes than in April 2017, and about 5 200 fewer than in December 2016.

As mentioned, the recent decline in unemployment is largely attributable to the fact that a number of people have chosen to withdraw from the labour force during this period. This applies especially to young people, who are tending more to choose education rather than to be active in the labour market, but also to older people of pensionable age. There are also higher numbers of long-term unemployed. According to the LFS, 19 000 persons had been continuously unemployed for more than one year in the first quarter of 2017. This was an increase of 4 000 compared with the first quarter of 2016. NAV figures for May this year showed that around 700 more than in the same month in 2016 had been looking for work for more than a year. The contraction of the labour force and increase in long-term unemployed also bear witness to a weaker labour market than indicated by the decline in unemployment.

We expect employment to pick up a little in 2017 and going forward. The improvement in the economic situation will also prompt an increase in the labour force, however. Many of the asylum-seekers who have come to Norway in recent years are likely to enter the labour force towards the end of the projection period. A weak krone and relatively high unemployment will continue to have a dampening effect on inward labour migration. As output rises, employment will increase and unemployment will gradually go down to 4 per cent towards the end of the projection period.

Moderate wage developments

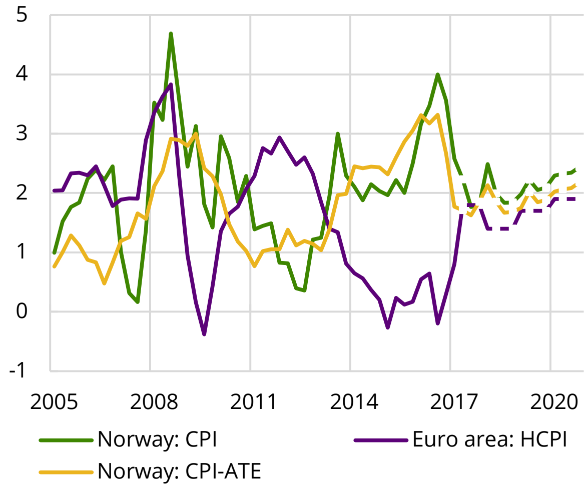
Nominal annual wage growth has been historically low for the last three years. In 2014 it fell from 3.8 per cent the previous year, to 3.1 per cent, and continued to shrink in 2015, to 2.8 per cent. Annual wage growth in 2016 was 1.7 per cent, the lowest observed for over 70 years. We forecast higher, but still relatively moderate wage growth in the near term.

In last year's wage settlement, the Confederation of Norwegian Enterprise (NHO) and the Norwegian Confederation of Trade Unions (LO) agreed on a norm of 2.4 per cent for 2016. According to the Technical Reporting Committee on Income Settlements (TBU), annual wage growth in 2016 was at least 2.2 per cent for most main groups in the negotiation areas. The fact that growth in average annual wages was only 1.7 per cent is due to changes in the distribution of employment among industries: employment fell sharply in particularly high-wage industries.

The weakening of the krone and lower immigration have helped to push up growth in average wages in recent years. Lower immigration increases pressure on

Figure 16. Consumer price indices

Percentage rise on same quarter previous year



Source: Statistics Norway

the lowermost portion of wage distribution through a reduced labour supply, and in isolation this results in a higher average wage level for the whole economy. The moderate wage demands must be viewed against the backdrop of the relatively high unemployment as well as the weak profitability experienced in some petroleum-related activities.

Growth in average annual wages can be decomposed into contributions from carry-over, pay increases and wage drift. Wage drift includes all factors that influence recorded wage growth. Carry-over reflects the difference between the annual wage level at the end of the previous year, and the average annual wage level of that year. The TBU has estimated the carry-over into 2017 for several areas of negotiations. The average carry-over is 1.1 per cent, and there is some variation across areas. The carry-over in retail businesses in the Enterprise Federation of Norway (Virke) is 0.9 per cent, and the carry-overs in central and local government are 1.5 and 0.9 per cent, respectively. The carry-over into 2017 is somewhat lower than in previous years with interim settlements, and is mainly due to last year's low wage growth. The norm for the manufacturing wage settlement is 2.4 per cent again this year, and consists of 1.1 percentage point carry-over, 0.3 percentage point pay increase and 1.0 percentage point wage drift.

We assume that wage settlements in areas other than manufacturing will also adhere to this moderate norm, and that annual wage growth this year will be 2.3 per cent. This projection is based on the premise of a weak negative composition effect. After a period, the improved economic outlook, somewhat lower unemployment and lower immigration will result in higher wage growth. Given our projection for consumer price inflation, real wages will increase by 0.2 per cent in 2017. During the remainder of the projection period, growth in annual wages will gradually increase from 1.1 per cent in 2018 to 1.7 per cent in 2020.

Low inflation

After a rise in 2016 of 3.6 per cent in the consumer price index (CPI) and of 3.0 per cent in the CPI adjusted for tax changes and excluding energy products, inflation has fallen back sharply. In April 2017, the 12-month rise in the CPI was 2.2 per cent and the rise in the CPI-ATE was 1.7 per cent. Inflation peaked in July last year, with a year-on-year rise of 4.4 per cent for the CPI and 3.7 per cent for the CPI-ATE.

Seasonally adjusted figures show that the CPI-ATE only increased by 0.5 per cent from July 2016 to April 2017. Through the first seven months of 2016, however, the CPI-ATE rose by an annualised average rate of almost 4 per cent. Factors that can be regarded as random certainly contributed to the sharp rise in prices through the first half of the year and hence also to the slowing of inflation subsequently.

Time-lagged effects of the depreciation of the krone from early 2013 and up to January 2016 explain much of the higher inflation last year. The strengthening of the krone through much of 2016 and well into 2017, coupled with waning of the effects of the depreciation, are the main reasons for the subsequent decline.

Imported consumer goods account for a third of the CPI-ATE. The year-on-year rise in prices for these goods peaked in July 2016 at 4.6 per cent. Inflation has declined gradually since then, and in April 2017 was 1.0 per cent. This decline accounts for more than half of the fall in inflation through the last nine months.

After hovering around 3.7 per cent up to November, the rise in prices for goods produced in Norway fell for three consecutive months, down to almost zero in February 2017. This price inflation rose appreciably in March, but fell again to -0.8 per cent in April. The last movement very largely reflects Easter sales of food products, and the fact that Easter was in March last year and in April this year.

The rise in prices for services also slowed towards the end of last year and up to and including March this year, after being fairly stable at about 2.5 per cent earlier in 2016. Prices for services rose appreciably in April. This can be attributed to more expensive flights at Easter and to Easter being at a different time of year in 2017 from in 2016. There is thus an underlying tendency for a slower rise in prices both for goods produced in Norway and abroad and for services. There is nothing to indicate a major upswing in domestic costs in the near future. However, a new round with a weaker krone may cause CPI-ATE inflation to rise a little from August and some way into 2018. According to our projections, the CPI-ATE as an annual average will increase by 1.7 per cent in 2017.

There are prospects of continued low growth in Norwegian wages, even though growth will be higher than in 2016 and increase gradually as the cyclical upturn takes hold. For a while, higher productivity growth during the initial rise in activity growth will neutralise the effects of increased wages on inflation. There is likely to be a moderate global rise in prices for finished products. Given a stable krone exchange rate, this will result in moderate inflationary impulses from imported consumer goods in the near term. Our projections indicate that underlying inflation will remain low, but that it will increase a little in the course of the projection period and that the CPI-ATE will rise to 2.1 per cent in 2020.

A very strong rise in electricity prices, and a somewhat abnormal course of events through 2016 resulted in high CPI inflation last year, particularly in July. So far in 2017, electricity prices have continued to be higher than in the same month in 2016, with the result that CPI inflation has still been higher than CPI-ATE inflation. However, the increase in the oil price has also contributed, as it was very low at the beginning of 2016. Increases in indirect taxes have also contributed to the rise in the CPI.

Price developments in the electricity forward market through the remainder of the year are weaker than prices realised in the same period in 2016. Electricity prices appear likely to fall back substantially in 2018 compared with this year, and a little further still in 2019, but then to remain at a constant level in 2020. However, grid rental has increased markedly this year, and large investment projects associated with the grid, including new household electricity meters, point to a high rise in grid rental prices also in the period ahead. We assume that, as an annual average, the overall electricity price to households will rise by 5 per cent this year and then decline by 2 per cent in 2018. In 2019, we assume that, overall, electricity prices will remain roughly unchanged from the previous year, and then rise a little more than general inflation in 2020. The price of crude oil is expected to increase somewhat more than the CPI-ATE, but is unlikely to push up fuel prices appreciably. The crude oil price accounts for a very small part of the price of fuel to consumers in Norway. However, we assume a rise in environmental taxes equivalent to 0.2 percentage point of CPI inflation each year from 2018. CPI inflation will thus be generally somewhat higher than CPI-ATE inflation in 2017 and for the next three years. According to our projections, the CPI as an annual average is expected to increase by 2.1 per cent in 2017 and 2.0 per cent in 2018, and then gradually climb to 2.3 percent in 2020.

Table 5. National accounts: Final expenditure and gross domestic product. At constant 2014 prices. Million kroner

	Unadjusted		Seasonally adjusted							
	2015	2016	15.2	15.3	15.4	16.1	16.2	16.3	16.4	17.1
Final consumption expenditure of households and NPISHs	1 311 465	1 332 615	328 125	329 302	330 995	331 945	333 290	333 070	335 374	337 501
Household final consumption expenditure	1 245 216	1 265 837	311 756	312 614	314 257	315 720	316 282	316 342	318 560	320 607
Goods	579 798	579 384	146 316	145 990	145 636	145 695	145 242	144 508	145 347	145 664
Services	604 358	624 831	150 278	151 574	153 108	154 395	155 861	156 643	157 619	158 783
Direct purchases abroad by resident households	99 797	103 381	24 788	25 000	25 375	25 638	25 593	26 139	25 934	26 054
Direct purchases by non-residents	-38 737	-41 759	-9 625	-9 950	-9 862	-10 009	-10 414	-10 948	-10 340	-9 894
Final consumption expenditure of NPISHs	66 249	66 778	16 369	16 688	16 738	16 225	17 008	16 728	16 814	16 894
Final consumption expenditure of general government	706 366	722 267	176 201	176 740	177 680	178 594	179 817	181 032	182 155	182 926
Final consumption expenditure of central government	354 962	363 790	88 532	88 805	89 304	89 938	90 561	91 044	91 614	91 966
Central government, civilian	313 292	322 078	78 130	78 465	78 842	79 551	80 184	80 549	81 168	81 552
Central government, defence	41 670	41 711	10 402	10 340	10 463	10 387	10 377	10 495	10 446	10 414
Final consumption expenditure of local government	351 404	358 478	87 669	87 935	88 376	88 656	89 256	89 988	90 542	90 960
Gross fixed capital formation	711 392	713 232	179 003	178 171	177 149	174 754	176 717	180 784	179 883	180 798
Extraction and transport via pipelines	183 085	153 062	47 464	43 782	42 647	39 455	38 520	38 104	37 073	38 085
Ocean transport	1 959	1 025	584	186	332	906	71	194	-107	-1165
Mainland Norway	526 349	559 145	130 956	134 203	134 170	134 393	138 126	142 487	142 918	143 878
Industries	219 501	226 391	56 282	54 375	54 293	54 192	56 674	57 229	58 224	56 976
Service activities incidential to extraction	4 205	1 158	1 504	760	609	479	230	166	282	409
Other services	133 822	138 533	34 201	32 919	33 347	32 714	35 242	35 215	35 442	34 626
Manufacturing and mining	31 447	33 295	7 952	8 061	7 972	8 094	8 433	8 103	8 670	8 111
Production of other goods	50 027	53 406	12 625	12 635	12 365	12 904	12 769	13 745	13 830	13 830
Dwellings (households)	158 051	173 751	39 202	39 713	41 022	41 333	42 400	43 819	45 204	46 539
General government	148 796	159 003	35 471	40 115	38 855	38 868	39 053	41 439	39 490	40 363
Acquisitions less disposals of valuables	334	334	82	81	87	83	84	80	87	86
Changes in stocks and statistical discrepancies	151 488	160 534	40 027	31 954	32 512	46 192	43 630	33 967	37 391	39 017
Gross capital formation	863 215	874 099	219 030	210 125	209 661	220 946	220 347	214 751	217 275	219 815
Final domestic use of goods and services	2 881 046	2 928 982	723 356	716 167	718 336	731 485	733 453	728 853	734 804	740 242
Final demand from Mainland Norway	2 544 180	2 614 027	635 282	640 245	642 845	644 931	651 233	656 589	660 448	664 305
Final demand from general government	855 163	881 270	211 672	216 855	216 535	217 462	218 869	222 471	221 645	223 289
Total exports	1 265 859	1 259 623	311 386	328 268	318 960	315 223	313 245	315 236	315 513	318 432
Traditional goods	363 233	333 495	91 281	91 119	90 780	86 208	85 581	84 989	77 070	83 071
Crude oil and natural gas	569 005	592 059	138 860	151 706	142 015	148 591	145 933	147 526	149 327	148 404
Ships, oil platforms and planes	7 471	15 262	1 484	1 993	2 047	1 900	2 505	2 679	8 172	7 823
Services	326 150	318 807	79 761	83 451	84 117	78 524	79 225	80 042	80 944	79 133
Total use of goods and services	4 146 904	4 188 604	1 034 743	1 044 435	1 037 296	1 046 708	1 046 698	1 044 089	1 050 317	1 058 674
Total imports	955 940	963 243	238 036	235 344	242 081	240 804	241 135	242 591	238 979	245 558
Traditional goods	554 823	548 463	139 578	135 647	139 803	136 657	136 635	137 530	137 518	140 226
Crude oil and natural gas	13 471	11 541	3 454	2 883	3 470	3 362	2 802	3 136	2 206	3 086
Ships, oil platforms and planes	29 368	37 384	6 946	7 746	6 061	8 186	8 964	10 716	9 533	10 142
Services	358 279	365 853	88 057	89 068	92 747	92 600	92 734	91 208	89 723	92 104
Gross domestic product (market prices)	3 190 964	3 225 362	796 707	809 091	795 215	805 904	805 563	801 499	811 338	813 116
Gross domestic product Mainland Norway (market prices)	2 561 433	2 584 152	640 852	641 313	640 498	642 539	645 507	646 387	648 759	652 962
Petroleum activities and ocean transport	629 530	641 210	155 855	167 778	154 717	163 365	160 056	155 112	162 579	160 153
Mainland Norway (basic prices)	2 223 947	2 237 479	556 907	556 671	555 198	556 936	558 821	559 837	561 734	564 842
Mainland Norway excluding general government	1 676 707	1 678 122	420 571	419 617	417 206	417 830	419 388	419 973	420 789	422 969
Manufacturing and mining	211 627	202 202	53 759	52 492	51 518	51 344	50 825	50 205	50 202	50 652
Production of other goods	276 050	282 930	69 318	70 067	68 951	71 022	70 299	70 594	71 001	71 456
Services incl. dwellings (households)	1 189 030	1 192 990	297 494	297 058	296 737	295 464	298 264	299 175	299 586	300 861
General government	547 240	559 357	136 337	137 054	137 993	139 106	139 433	139 863	140 945	141 873
Taxes and subsidies products	337 486	346 673	83 945	84 642	85 300	85 603	86 686	86 550	87 025	88 120

Source: Statistics Norway.

Table 6. National accounts: Final expenditure and gross domestic product. At constant 2014 prices. Percentage change from the previous period

	Unadjusted		Seasonally adjusted							
	2015	2016	15.2	15.3	15.4	16.1	16.2	16.3	16.4	17.1
Final consumption expenditure of households and NPISHs	2.1	1.6	0.7	0.4	0.5	0.3	0.4	-0.1	0.7	0.6
Household final consumption expenditure	2.1	1.7	0.7	0.3	0.5	0.5	0.2	0.0	0.7	0.6
Goods	1.0	-0.1	1.1	-0.2	-0.2	0.0	-0.3	-0.5	0.6	0.2
Services	3.5	3.4	0.7	0.9	1.0	0.8	0.9	0.5	0.6	0.7
Direct purchases abroad by resident households	2.9	3.6	0.6	0.9	1.5	1.0	-0.2	2.1	-0.8	0.5
Direct purchases by non-residents	10.3	7.8	4.4	3.4	-0.9	1.5	4.0	5.1	-5.6	-4.3
Final consumption expenditure of NPISHs	2.2	0.8	-0.5	1.9	0.3	-3.1	4.8	-1.6	0.5	0.5
Final consumption expenditure of general government	2.1	2.3	0.3	0.3	0.5	0.5	0.7	0.7	0.6	0.4
Final consumption expenditure of central government	2.4	2.5	0.2	0.3	0.6	0.7	0.7	0.5	0.6	0.4
Central government, civilian	2.9	2.8	0.3	0.4	0.5	0.9	0.8	0.5	0.8	0.5
Central government, defence	-1.0	0.1	-0.5	-0.6	1.2	-0.7	-0.1	1.1	-0.5	-0.3
Final consumption expenditure of local government	1.7	2.0	0.3	0.3	0.5	0.3	0.7	0.8	0.6	0.5
Gross fixed capital formation	-3.8	0.3	0.9	-0.5	-0.6	-1.4	1.1	2.3	-0.5	0.5
Extraction and transport via pipelines	-15.0	-16.4	-3.7	-7.8	-2.6	-7.5	-2.4	-1.1	-2.7	2.7
Ocean transport	138.3	-47.7	-36.6	-68.2	79.1	172.5	-92.2	173.8	-155.5	984.0
Mainland Norway	0.6	6.2	2.9	2.5	0.0	0.2	2.8	3.2	0.3	0.7
Industries	-1.6	3.1	3.0	-3.4	-0.2	-0.2	4.6	1.0	1.7	-2.1
Service activities incidential to extraction	-14.0	-72.5	13.0	-49.5	-19.9	-21.3	-52.0	-27.8	70.2	44.7
Other services	-1.2	3.5	2.3	-3.7	1.3	-1.9	7.7	-0.1	0.6	-2.3
Manufacturing and mining	-7.8	5.9	5.6	1.4	-1.1	1.5	4.2	-3.9	7.0	-6.4
Production of other goods	3.0	6.8	2.2	0.1	-2.1	4.4	-1.0	7.6	0.6	0.0
Dwellings (households)	1.6	9.9	2.5	1.3	3.3	0.8	2.6	3.3	3.2	3.0
General government	3.0	6.9	3.3	13.1	-3.1	0.0	0.5	6.1	-4.7	2.2
Acquisitions less disposals of valuables	0.4	-0.2	-3.8	-1.4	7.4	-4.8	2.2	-4.7	7.7	-0.4
Changes in stocks and statistical discrepancies	5.0	6.0	-11.7	-20.2	1.7	42.1	-5.5	-22.1	10.1	4.3
Gross capital formation	-2.3	1.3	-1.7	-4.1	-0.2	5.4	-0.3	-2.5	1.2	1.2
Final domestic use of goods and services	0.7	1.7	-0.2	-1.0	0.3	1.8	0.3	-0.6	0.8	0.7
Final demand from Mainland Norway	1.8	2.7	1.0	0.8	0.4	0.3	1.0	0.8	0.6	0.6
Final demand from general government	2.2	3.1	0.8	2.4	-0.1	0.4	0.6	1.6	-0.4	0.7
Total exports	3.7	-0.5	0.9	5.4	-2.8	-1.2	-0.6	0.6	0.1	0.9
Traditional goods	5.8	-8.2	1.3	-0.2	-0.4	-5.0	-0.7	-0.7	-9.3	7.8
Crude oil and natural gas	3.2	4.1	0.9	9.3	-6.4	4.6	-1.8	1.1	1.2	-0.6
Ships, oil platforms and planes	-25.0	104.3	-22.6	34.2	2.8	-7.2	31.8	7.0	205.0	-4.3
Services	3.3	-2.3	1.2	4.6	0.8	-6.6	0.9	1.0	1.1	-2.2
Total use of goods and services	1.6	1.0	0.2	0.9	-0.7	0.9	0.0	-0.2	0.6	0.8
Total imports	1.6	0.8	-1.0	-1.1	2.9	-0.5	0.1	0.6	-1.5	2.8
Traditional goods	1.9	-1.1	0.0	-2.8	3.1	-2.3	0.0	0.7	0.0	2.0
Crude oil and natural gas	-1.3	-14.3	-7.0	-16.5	20.4	-3.1	-16.6	11.9	-29.7	39.9
Ships, oil platforms and planes	-11.7	27.3	-19.1	11.5	-21.7	35.1	9.5	19.5	-11.0	6.4
Services	2.5	2.1	-0.6	1.1	4.1	-0.2	0.1	-1.6	-1.6	2.7
Gross domestic product (market prices)	1.6	1.1	0.5	1.6	-1.7	1.3	0.0	-0.5	1.2	0.2
Gross domestic product Mainland Norway (market prices)	1.1	0.9	0.1	0.1	-0.1	0.3	0.5	0.1	0.4	0.6
Petroleum activities and ocean transport	3.7	1.9	2.4	7.7	-7.8	5.6	-2.0	-3.1	4.8	-1.5
Mainland Norway (basic prices)	1.1	0.6	0.2	0.0	-0.3	0.3	0.3	0.2	0.3	0.6
Mainland Norway excluding general government	0.8	0.1	0.1	-0.2	-0.6	0.1	0.4	0.1	0.2	0.5
Manufacturing and mining	-3.2	-4.5	-1.4	-2.4	-1.9	-0.3	-1.0	-1.2	0.0	0.9
Production of other goods	2.8	2.5	2.0	1.1	-1.6	3.0	-1.0	0.4	0.6	0.6
Services incl. dwellings (households)	1.1	0.3	0.0	-0.1	-0.1	-0.4	0.9	0.3	0.1	0.4
General government	1.8	2.2	0.3	0.5	0.7	0.8	0.2	0.3	0.8	0.7
Taxes and subsidies products	1.5	2.7	-0.3	0.8	0.8	0.4	1.3	-0.2	0.5	1.3

Source: Statistics Norway.

Table 7. National accounts: Final expenditure and gross domestic product. Price indices. 2014=100

	Unadjusted		Seasonally adjusted							
	2015	2016	15.2	15.3	15.4	16.1	16.2	16.3	16.4	17.1
Final consumption expenditure of households and NPISHs	102.3	105.6	101.4	101.9	103.3	104.5	105.4	105.7	106.0	106.7
Final consumption expenditure of general government	103.0	105.3	103.0	103.1	103.7	105.1	104.8	105.5	105.9	106.3
Gross fixed capital formation	102.6	104.6	102.9	101.5	103.7	103.8	104.9	105.2	104.7	104.9
Mainland Norway	102.7	105.1	102.3	103.1	103.8	103.6	104.8	106.2	106.0	106.5
Final domestic use of goods and services	102.3	104.9	102.0	102.2	103.6	104.4	104.6	105.4	105.6	105.3
Final demand from Mainland Norway	102.5	105.4	102.0	102.5	103.5	104.5	105.1	105.8	106.0	106.5
Total exports	92.1	84.2	94.1	91.8	88.5	81.3	84.0	83.4	87.4	92.8
Traditional goods	102.3	106.7	101.7	102.2	102.6	102.4	105.8	106.6	112.2	110.7
Total use of goods and services	99.2	98.7	99.6	98.9	99.0	97.4	98.4	98.7	100.2	101.5
Total imports	104.2	106.0	104.0	105.3	105.5	105.7	107.2	106.5	106.6	105.4
Traditional goods	104.7	106.3	104.2	105.3	105.3	106.3	106.6	106.3	106.2	107.2
Gross domestic product (market prices)	97.7	96.5	98.3	97.1	97.0	95.0	95.8	96.4	98.3	100.4
Gross domestic product Mainland Norway (market prices)	102.3	105.1	101.9	102.4	103.1	104.1	104.4	105.5	105.9	106.2

Source: Statistics Norway.

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

	Unadjusted		Seasonally adjusted							
	2015	2016	15.2	15.3	15.4	16.1	16.2	16.3	16.4	17.1
Final consumption expenditure of households and NPISHs	2.3	3.3	-0.1	0.5	1.4	1.1	0.9	0.3	0.3	0.6
Final consumption expenditure of general government	3.0	2.3	0.8	0.0	0.6	1.3	-0.3	0.7	0.4	0.3
Gross fixed capital formation	2.6	2.0	0.9	-1.4	2.1	0.1	1.0	0.3	-0.5	0.2
Mainland Norway	2.7	2.4	0.9	0.8	0.7	-0.2	1.1	1.4	-0.2	0.4
Final domestic use of goods and services	2.3	2.5	0.8	0.2	1.3	0.8	0.2	0.8	0.2	-0.3
Final demand from Mainland Norway	2.5	2.8	0.4	0.5	1.0	0.9	0.6	0.7	0.2	0.5
Total exports	-7.9	-8.6	-1.0	-2.5	-3.5	-8.2	3.4	-0.7	4.8	6.1
Traditional goods	2.3	4.3	-1.2	0.5	0.4	-0.2	3.3	0.8	5.2	-1.3
Total use of goods and services	-0.8	-0.5	0.3	-0.7	0.0	-1.5	1.0	0.3	1.4	1.4
Total imports	4.2	1.7	1.2	1.2	0.1	0.2	1.4	-0.7	0.1	-1.1
Traditional goods	4.7	1.5	0.1	1.1	0.0	1.0	0.3	-0.3	-0.1	0.9
Gross domestic product (market prices)	-2.3	-1.2	0.0	-1.2	-0.1	-2.1	0.8	0.7	1.9	2.2
Gross domestic product Mainland Norway (market prices)	2.3	2.7	0.4	0.5	0.7	0.9	0.3	1.0	0.4	0.3

Source: Statistics Norway.

Statistics Norway

Economic Survey 2/2017

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ISSN 1504-5625 (electronic)

Design: Siri Boquist

Statistisk sentralbyrå
Statistics Norway