Norwegian economy

Over the past year, output growth in the Norwegian economy appears to have come to halt. According to the quarterly national accounts (QNA), mainland GDP fell both in the fourth quarter of last year and the first quarter of this year, and the fall followed an underlying decline also during the preceding half-year. Low electricity production through the winter this year owing to low water reservoir levels is part of the explanation. Excluding electricity production, growth was still negative for total mainland output. The decline in output also applied to manufacturing, other goods producing industries and the public sector. Only the private service sector exhibited growth.

The weak growth in output must be seen against the background of the global downturn and the tight monetary stance last year, which contributed to a high real interest rate after tax and a strong krone. For manufacturing, the appreciation of the krone came on top of high cost inflation over several years. At the same time, tight monetary conditions have contributed to a marked fall in inflation. Underlying inflation (the year-on-year rise in the CPI-ATE) was 1.2 per cent in May, con-

Macroeconomic indicators 2001-2003
Growth from previous period unless otherwise noted. Per cent

			Seasonally adjusted			
	2001	2002	02.2	02.3	02.4	03.1
Demand and output						
Consumption in households and non-profit organizations	2.6	3.6	0.5	1.1	1.3	0.2
General government consumption	2.7	3.2	3.2	2.4	0.2	0.5
Gross fixed investment	4.2	3.6	8.0	7.6	6.4	0.4
- Mainland Norway	0.7	4.6	1.6	2.1	0.8	0.8
-Extraction and transport via pipelines	1.0	4.6	5.0	2.9	6.2	6.5
- Service activities incidential to extraction	..	..	..	..	..	
Final domestic demand from Mainland Norway[1]	2.3	2.1	0.3	0.9	0.9	0.1
Exports	4.1	0.5	6.0	3.8	1.0	0.7
- Crude oil and natural gas	5.2	0.2	14.5	6.6	0.1	1.1
- Traditional goods	3.7	1.3	0.8	0.4	3.7	0.3
Imports	0.9	1.7	5.3	2.9	2.3	2.3
- Traditional goods	2.9	4.7	1.6	1.2	3.0	0.8
Gross domestic product	1.9	1.0	1.5	1.0	0.2	0.3
- Mainland Norway	1.7	1.3	0.6	0.5	0.6	0.6
Labour market[2]						
Man-hours worked	1.0	0.9	0.8	0.1	0.4	0.2
Employed persons	0.5	0.2	0.2	0.0	0.2	0.2
Labour force	0.7	0.6	0.1	0.1	0.1	0.2
Unemployment rate, level3	3.6	3.9	3.9	3.8	4.1	4.1
Prices						
Consumer price index (CPI)[4]	3.0	1.3	0.4	1.4	2.2	4.5
CPI adjusted for tax changes and excluding energy products (CPI-A28ATE)[4]	2.6	2.3	2.6	2.4	2.0	1.8
Export prices, traditional goods	2.9	8.7	1.8	2.3	0.1	1.0
Import prices, traditional goods	0.2	8.0	2.4	0.8	0.9	0.8
Balance of payment						
Current balance, bill. NOK	238.5	200.6	52.0	46.5	47.2	54.0
Memorandum items (Unadjusted, level)						
Money market rate (3 month NIBOR)	7.1	6.9	6.9	7.2	7.0	5.7
Lending rate, banks[5]	8.8	8.4	8.3	8.7	8.6	7.6
Crude oil price NOK[6]	220.2	197.4	205.2	202.3	196.1	222.1
Importweighted krone exchange rate, 44 countries. 1995=100	100.2	91.6	92.5	89.1	87.7	88.8
NOK per euro	8.05	7.51	7.5	7.4	7.3	7.6

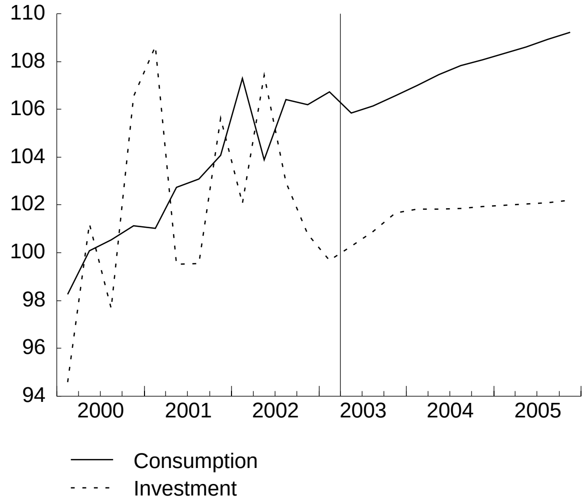
[1] Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.
[2] Figures for 2001 and 2002 are from national accounts. The quarterly figures are from Statistics Norway's Labour force survey (LFS), since the new quarterly national accounts series for employment are too short for seasonal adjustment.
[3] According to Statistics Norway's labour force survey (LFS).
[4] Percentage change from the same period the previous year.
[5] By the end of the quarter.
[6] Average spot price, Brent Blend.
Sources: Statistics Norway and Norges Bank.

siderably lower than the inflation target of 2.5 per cent. Unemployment has continued to rise, and manufacturing profitability is very weak. This has also contributed to a marked fall in wage growth.

This has led to a pronounced shift in monetary policy over the past half-year. Interest rates have been reduced and are expected to fall further ahead, and the krone has appreciated.

The easing of monetary conditions has had little impact on developments in the real economy thus far in 2003, but is expected to boost growth in 2003 and 2004 in particular. The interest rate cuts are stimulating domestic demand and the weakening of the krone – combined with lower wage growth – is helping to curb Norwegian enterprises' loss of market shares. Unemployment will continue to rise through the remainder of the year and into next year, but at a somewhat slower pace than projected earlier. Unemployment may fall in 2005, even though output is expected to show somewhat weaker growth again.

General government
Seasonally adjusted volume indices, 2000=100



Source: Statistics Norway.

Fiscal policy

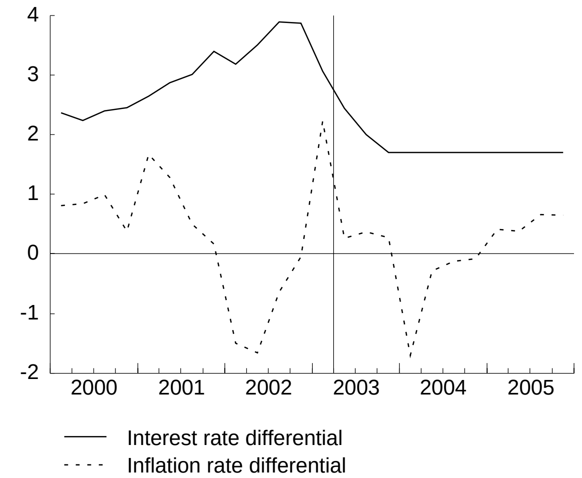
The Revised National Budget for 2003 (RNB) provides an update of key fiscal indicators and gives an account of the Government's fiscal policy programme. The main elements of the Government's proposals were adopted by the Storting (Norwegian parliament) and budget limits were marginally increased. The Storting approved somewhat higher growth in social security spending, which we have incorporated into our projections.

The structural, non-oil central government budget deficit, which is linked to the guideline for fiscal policy, came to NOK 36.2 billion in 2002. This is almost NOK 9 billion in excess of the deficit estimated in the National Budget for 2003. The Government's revised budget proposal for 2003 entails a deficit of NOK 37.6 billion, which is a good NOK 13 billion higher than implied by a narrow interpretation of the fiscal guideline. The Storting's resolution entails a possible increase of close to NOK 1 billion in 2003. The fiscal policy guideline is not formulated in such a strict way that 4 per cent of the value of the Petroleum Fund – which corresponds to a good NOK 24 billion in 2003 – is the relevant absolute limit for fiscal policy in one given year. When the deficit for 2003 is projected to be 50 per cent higher, it nevertheless implies a substantial deviation from the long-term path for the structural, non-oil deficit. The estimates in the RNB also show that the deficit will not be in line with a strict interpretation of the guidelines until 2005, which means that fiscal policy will not generate any stimulus before 2006. The margin of manoeuvre in fiscal policy (i.e. an increase in the structural deficit) has already been exhausted in this Storting period.

The Government's proposal to maintain the structural, non-oil deficit from 2002 to 2003 (and probably in 2004 and 2005 as well) must be seen against the background of the cyclical situation. Weak growth in the Norwegian economy, combined with rising unemployment, is reducing growth in tax revenues and some expenditure items are rising in excess of that implied by a cyclically neutral stance. The non-oil central government budget deficit is thus considerably higher than the structural deficit. A discretionary budget tightening to bring spending into line with the guideline in 2003 would have required a fiscal tightening of about 1 per cent of mainland GDP. This would have amplified the cyclical downturn. An easing of monetary policy with an effect on GDP corresponding to such a fiscal tightening would not have been feasible in today's situation where there has already been a pronounced expansionary shift in monetary policy, even though the budget deficit is larger than planned.

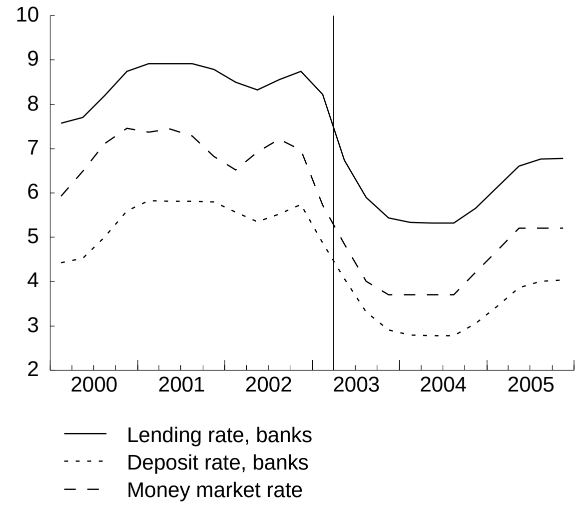
According to revised national accounts figures, public consumption grew by 3.2 per cent between 2001 and 2002. Growth slowed through last year and the national accounts figures for the first quarter show a fall in public employment, which is partly attributable to the conversion of the Norwegian Road Directorate into an independent company (Mesta). We project public consumption to grow by about 1½ per cent in 2003 and 2004. The increase in the number of man-hours worked in the public sector is expected to be relatively moderate in the period ahead, but somewhat stronger in 2003 due to a higher number of working days (calendar effect). The level of general government gross investment is projected to show a marginal increase from 2002 to 2005. In spite of some fiscal stimulus to the economy in recent years, there will be no additional impetus to demand from the public sector in 2003 and 2004. However, there is real growth in transfers to households via a real increase in social security payments to pensioners, etc., which provides room for increased household consumption. Lower prices for day-care places will also provide an impulse via trans-

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



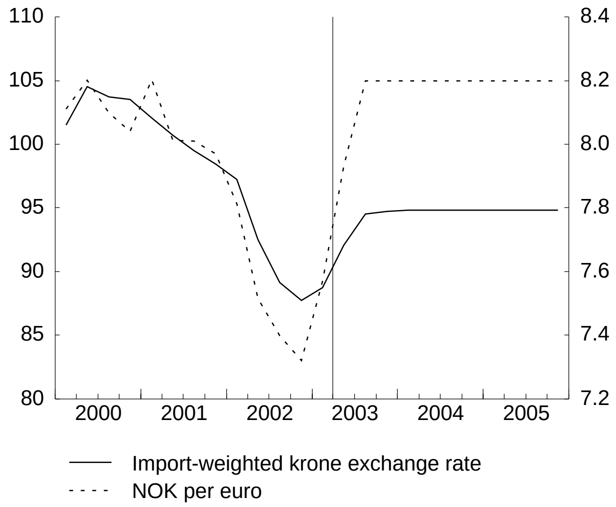
Sources: Norges Bank and Statistics Norway.

Lending rate and deposit rate
Per cent



Source: Norges Bank.

Development in import-weighted krone exchange rate and NOK per euro



Source: Norges Bank.

fers to households. The Government's proposal implies a reduction to an average NOK 2500 per place via higher transfers from 1 August this year.

Lower interest rates and a weaker krone

Since December 2002, Norges Bank has reduced the key rate by 2 percentage points. Since the most recent interest rate cut on 30 April, the key rate has stood at 5 per cent. At the beginning of June, the central bank governor signalled that the key rate would be lowered to a further extent than expected earlier. This was followed by a marked fall in money market rates and the krone depreciated. After Statistics Norway published on 10 June lower inflation figures than expected for May, interest rates fell further. Three-month money market rates have fallen from 7.1 per cent at the beginning of December to 4.2 per cent in mid-June. This is the lowest level recorded since 1998. The FRA market has now priced in a further interest rate reduction to about 3 per cent in the fourth quarter.

The import-weighted exchange rate weakened by about 11 per cent from mid-January to mid-March this year, following a marked appreciation in the two previous years. It appears that major foreign investors have changed their view of krone exchange rate developments ahead, and the period of a record-strong krone may have come to an end. Interest rate cuts, which have reduced the interest rate differential against other countries, and expectations of further monetary policy easing ahead, have contributed to this. The import-weighted exchange rate appreciated somewhat from mid-March to the end of May, primarily reflecting a sharp fall in the value of the US dollar. Against the euro, the krone was relatively stable in the same period. Since the beginning of June, the krone has depreciated by about 4 per cent both against the import-weighted index and the euro. The krone/euro exchange rate was 8.20 on 12 June. We assume that the krone will remain at this level to the end of the projection period.

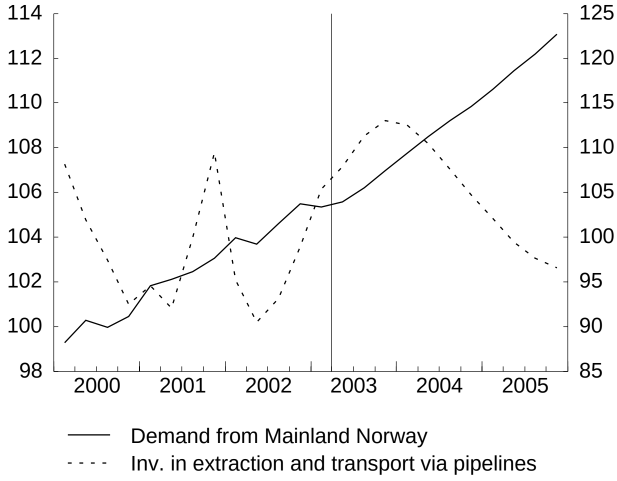
The international interest rate level is low. The European Central Bank cut its key rate by a half percentage point to 2 per cent on 5 June, and in the US the key rate is 1.25 per cent. Interest rates may be reduced further in the period ahead. We assume that the three-month euro rate – which is normally higher than the key rate – will fall to 2 per cent as from the third quarter of this year. This increases the likelihood of further interest rate cuts in Norway. The interest rate differential against trading partners has narrowed since last autumn, reflecting the sharp interest rate decline in Norway. The interest rate differential is expected to continue to narrow.

Low activity levels and the absence of inflationary pressures are providing Norges Bank with room for further rate cuts. Developments in the krone are an important factor behind the size of the rate cuts. The depreciation of the krone so far this year represents a substantial monetary policy easing. If the krone continues to show a marked fall, the need for substantial interest rate cuts will be reduced. On the other hand, a strong krone will increase the need for lower interest rates. Our projections are based on the assumption that three-month money market rates will fall to 3.7 per cent in the third quarter – i.e. that Norges Bank's key rate (sight deposit rate) is lowered to 3.5 per cent – and that money market rates subsequently remain at that level in the period to autumn. This represents a smaller interest rate decline than that priced into the FRA market in mid-June. According to our assessment, it would appear that the markets have not taken full account of the expansionary effects of the shift in monetary policy, or that global developments are expected to be considerably weaker than assumed in this report.

According to our calculations, underlying inflation will gradually move up to the inflation target two years ahead. In order to avoid an overshooting of the inflation target, we have assumed that money market rates will start to edge up from the fourth quarter of 2004, by a total of 1.5 percentage points, to 5.2 per cent in the second quarter of 2005. A corresponding increase in euro interest rates are expected in the same period, as economic growth in the euro area is assumed to edge up to trend growth. This assumption of an interest rate increase in Norway and the euro area is naturally conditional on economic developments ahead, both as regards the expected international recovery, and in Norway's case in particular the prospects for demand components that are less interest-rate sensitive, such as petroleum investment in the longer term.

With these interest rate and exchange rate assumptions, monetary policy will be considerably more expansionary than assumed in our last report. In 2003, the interest rate reduction will be 1.5 percentage points lower than previously assumed, while the import-weighted exchange rate will be only 1 per cent weaker. A more expansionary monetary policy this year and next than previously assumed implies, in isolation, stronger domestic demand in 2004 and 2005, particularly for housing investment and household consumption. Owing to lags between output and employment and interaction with the labour supply, the extra contribution to a reduction in unemployment will be moderate, however.

Demand from Mainland Norway and investment in petroleum activities
Seasonally adjusted volume indices, 2000=100



Source: Statistics Norway.

High level of petroleum investment both this year and next

At current prices, the preliminary estimate for crude oil and natural gas production is NOK 295.4 billion in 2002, i.e. a marked decrease compared with the previous year. The decline reflects lower prices than in 2001, while volume – despite the production cuts implemented in the first half of last year – remained virtually unchanged. Seasonally adjusted figures show that production increased around the turn of the year. At constant prices, production showed a small rise between the third and fourth quarter, followed by a further rise of over 3 per cent in the first quarter of this year. This is a good 8 per cent higher than the same quarter one year earlier. However, about half of the production cuts last year were implemented in the first quarter, so that underlying production growth was somewhat lower.

Petroleum activity is expected to show a weak trend ahead, so that value added for the industry for the year as a whole is expected to be on a par with the preceding year. Oil production is expected to fall, while gas production is expected to increase. Value added for the industry is expected to show a small increase in 2004 and 2005, with annual growth of close to 3 and 1 per cent, respectively. Gas production is projected to increase further through 2004 and 2005, while oil production is expected to increase through 2004, and fall through 2005. These projections are in line with the estimates published in the Revised National Budget.

Oil prices tended upwards through 2002, averaging USD 25 per barrel, or the equivalent of NOK 200 per barrel. The oil price is assumed to remain constant at USD 25 per barrel. Given our assumptions concerning the US dollar, this implies an average price of a good NOK 185 per barrel in 2003, moving down to NOK 175 in 2004 and 2005.

According to preliminary national accounts figures, gross investment in extraction and pipeline transport at current prices came to NOK 53.4 billion in 2002, i.e. a fall in value terms of more than 6 per cent compared with last year. The seasonally adjusted quarterly figures showed that the volume decline that was recorded in the first half of last year was gradually reversed to an increase. Investment for the first quarter of this year is projected to be a good 6 per cent higher than in the fourth quarter, and more than 10 per cent higher than in the same quarter one year earlier.

Annual figures also show that the falling trend for investment in field development continued in 2002, but reduced investment in connection with exploration is also part of the explanation for the decline. In recent years, there has been a trend increase in investment in fields in operation, a trend that levelled off in 2002, however. Investment in on-shore installations, particularly Snøhvit, rose substantially through 2002, but not to an extent that could prevent an overall decline.

At current prices, gross investment in production and pipeline transport is expected to increase this year, and is estimated to be 16.4 per cent higher than last year. The main contribution comes from investment in on-shore installations. The estimates are in line with Statistics Norway's last investment intentions survey, and are somewhat lower than the estimate in our March economic survey. One reason for this is that a number of the postponed exploration projects, which we assumed would be postponed from 2002 to 2003, have now been postponed for an indefinite period. The assumed reductions in exploration activity also increase the uncertainty surrounding our projections for both 2004 and 2005. Investments relating to Snøhvit will be fully realised, including on-shore installations, pipeline transport, and field development. Investments in on-shore installations will be very high during the projection period. For this year and next, we expect a resumption in the trend with high investments linked to fields in operation. For 2004, the overall investment level is expected to be slightly below the level for this year, with a decline from 2003 of close to 1 percentage point. For 2005, investment is projected to fall by 10 per cent, reflecting the phasing out of investments linked to the development of new fields, and a generally lower investment level.

Interest rate reductions fuel consumption growth

Revised national accounts figures show that consumption growth for households and non-profit institutions was 3.6 per cent in 2002, at constant prices. In the light of the record-high growth in household real disposable income of 6.7 per cent, this is low. Seasonally adjusted figures indicate that consumption growth was lowest in the second quarter, with some increase in the last six months of the year. Figures for the first quarter of this year show a small decline at constant prices, and seasonally adjusted consumption is projected to be 0.2 per cent lower than in the fourth quarter of 2002. The weak growth in consumption in the first quarter is primarily attributable to continued high borrowing rates, high electricity prices and increased uncertainty as to future income growth. The high level of electricity prices has led to a sharp reduction in household real disposable income between the fourth quarter of 2002 and the first quarter of 2003. An unclear economic situation, with rising unemployment, has probably increased household uncertainty as to their future income, which may have reduced their willingness to spend.

The seasonal adjustment underlying the figures for the first quarter is shrouded in considerable uncertainty, because experience shows that it is difficult to determine the impact of the Easter holiday. Seasonally adjusted consumption may therefore have been underestimated for the first quarter. The goods consumption index, which showed a seasonally adjusted increase of 2.8 per cent between March and April, would indicate that this may be the case. The rate of growth in consumption recorded for April may thus just as well reflect seasonal adjustment problems and other normal random effects as a sharp increase in underlying consumption growth.

The outlook for real income growth ahead is mainly conditional on consumer price expectations, wage income developments and net capital income. The consumer price index is projected to rise by 2.8 per cent between 2002 and 2003, compared with only 1.3 per cent last year. The wage settlement appears to be moderate in relation to last year's nominal wage growth of 5.4 per cent, but the carry-over from last year still implies wage growth of 4.5 per cent. Employment is expected to edge down between 2002 and 2003. Net capital income includes interest income from deposits and debt interest. The interest rate cuts will reduce debt expenditure by more than deposit income, which points to an increase in net capital income. However, the high dividend payments in 2002 are not likely to recur this year, and this contributes to a decline in household capital income. The overall contribution from these two sources is expected to result in a decline in household net capital income between 2002 and 2003, which will restrain growth in disposable income. All in all, household real disposable income is projected to grow by 1.4 per cent in 2003.

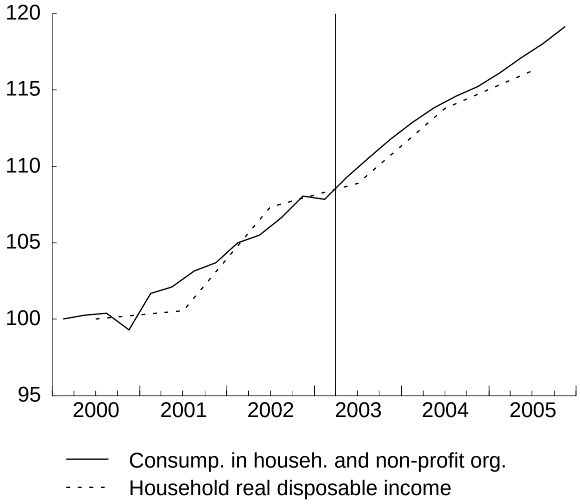
Growth in household real disposable income is projected at 4.5 per cent in 2004 and 2.2 per cent in 2005. The reversal in electricity prices implies that consumer price inflation will be low from 2003 to 2004, which pushes up real income growth in 2004. Wage growth is projected to be somewhat lower in 2004 and 2005 compared with this year. Developments in net capital income are expected to make a positive contribution to real disposable income in 2004 as a result of lower debt service and higher share dividends. In 2005, higher interest rates push down real disposable income.

Consumption growth is projected at 3.4 per cent in 2003, at constant prices. This is high in relation to the projected growth in real disposable income, and the saving ratio is projected to fall from 7.2 per cent in

2002 to 5.4 per cent this year. Consumption is expected to pick up partly because the bulk of this winter's high electricity bills have now been paid and interest rates are falling. The interest rate decline will, in isolation, push up consumption because saving becomes less attractive. Moreover, it is likely that households in a net debt position use a larger share of their income for consumption than those who are in a net asset position, which means that the effect of the interest rate decline will be amplified. Similarly, it is assumed that dividend recipients will use a small share of their income for consumption, and the expected fall in dividends is thus expected to have a limited restraining effect on consumption growth.

For 2004, consumption is projected to show volume growth of 4.0 per cent. This is higher than the figure for this year, and reflects high real income growth, low interest rates and some growth in household wealth. In 2005, consumption growth is projected to slow to 2.9 per cent, reflecting an expected increase in interest rates and lower real income growth.

Income and consumption in households
Seasonally adjusted volume indices, 2000=100



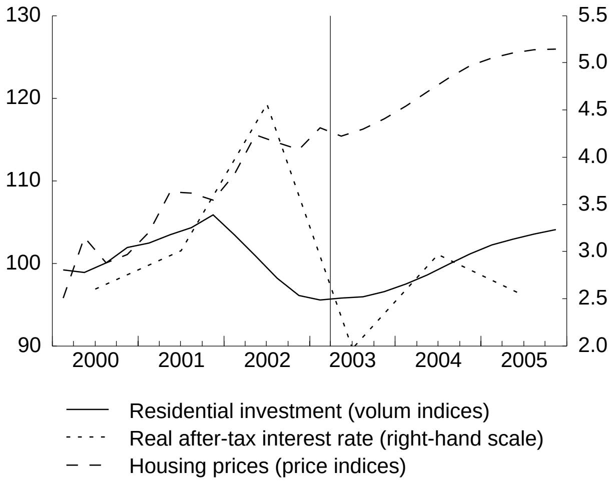
Source: Statistics Norway.

Reversal in the decline in housing investment

After rising since mid-1998, housing investment fell last year. According to seasonally adjusted national accounts figures at constant prices, housing investment fell steadily by a little more than 2 per cent from quarter to quarter through 2002. It appears that the decline started to slow somewhat in the first quarter of 2003.

Housing starts are a leading indicator of housing investment since investments are made throughout the entire construction phase. Housing start figures, as measured in square metres, show that housing starts dropped through 2001 and have since remained approximately flat. For housing investment to hold up and eventually show a rise, housing start figures must increase. We assume that the sharp interest rate reduction will stimulate housing investment. Housing investment is projected to expand during the second half of 2003. Nevertheless, housing investment is projected to fall by 3.7 per cent between 2002 and 2003 as a result of a negative carry-over from 2002. Housing investment is projected to expand by 3.7 per cent in 2004 and 4.1 per cent in 2005.

Residential investment and housing prices
Seasonally adjusted indices, 2000=100



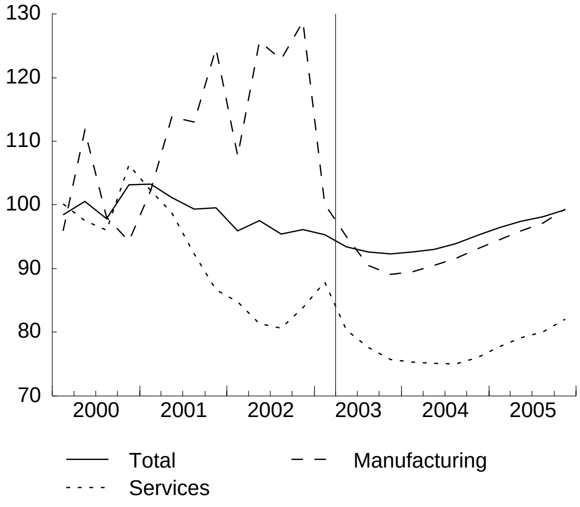
Source: Statistics Norway.

The rise in house prices has been weak over the past 12 months, and house price inflation is projected at a low 0.7 per cent this year. Higher interest rates last year, in conjunction with rising unemployment, are important explanatory factors. As interest rates fall, the housing market is expected to pick up, and house prices are projected to rise by 5.1 per cent in 2004 and 3.4 per cent in 2005.

Continued weak growth in mainland business investment

According to preliminary national accounts figures, mainland business investment is estimated at close to

Investment, Mainland Norway
Seasonally adjusted volume indices, 2000=100



Source: Statistics Norway.

Main economic indicators 2002-2005. Accounts and forecasts
Percentage change from previous year unless otherwise noted

	Accounts 2002	Forecasts 2003 SN	2003 MoF	2003 NB	2004 SN	2004 MoF	2004 NB	2005 SN	2005 NB
Demand and output									
Consumption in households and non-profit organizations	3.6	3.4	2.9	2 3/4	4.0	2.8	3 1/4	2.9	3
General government consumption	3.2	1.3	0.3	3/4	1.7	0.8	2	1.0	2
Gross fixed investment[1]	-3.6	0.9	1.1	1	0.2	1.0	1/4	0.8	1 1/2
Extraction and transport via pipelines[2]	-4.6	16.4	13.3	20	-0.9	1.0	0	-10.0	0
Mainland Norway	-4.6	-2.5	-3.4	-4	0.5	1.0	1/2	4.8	2
Firms	-6.4	-2.9	-6.0	-6	-1.5	1.3	-1	7.1	1
Housing	-4.2	-3.7	-1.1	-3	3.7	0.7	2	4.1	5
General government	0.0	-0.1	0.1	1/4	1.5	0.2	2	0.2	2
Demand from Mainland Norway[3]	2.1	1.9	1.8	1 1/4	2.9	1.9	2 1/2	2.7	2 1/2
Stockbuilding[4]	10.2	0.0	..	..	0.0	..	..	0.0	
Exports	-0.5	0.2	0.0	-1	3.4	2.8	1 1/2	2.6	1 1/2
Crude oil and natural gas	0.2	1.0	0.5	-2	3.3	1.6	4	1.0	0
Traditional goods	1.3	0.0	-2.2	-3	4.9	4.1	-1	4.9	2
Imports	1.7	5.4	1.3	1	3.0	2.8	1 1/4	3.1	3 1/2
Traditional goods	4.7	5.3	1.9	1 1/4	4.0	3.1	1 1/4	4.7	3 1/2
Gross domestic product	1.0	0.4	1.1	1	2.9	2.0	2 1/4	1.9	1 3/4
Mainland Norway	1.3	0.3	0.7	1 1/4	3.0	1.9	2	2.3	2 1/4
Labour market									
Employed persons	0.2	-0.8	-0.6	- 1/2	0.0	0.0	0	0.7	1/2
Unemployment rate (level)	3.9	4.4	4.4	4 1/2	4.7	4.6	4 3/4	4.4	4 3/4
Prices and wages									
Wages per standard man-year	5.4	4.5	4 1/2	5	4.0	4 1/4	4 1/2	4.0	4 1/2
Consumer price index (CPI)	1.3	2.8	2 3/4	3 1/4	1.0	1 1/2	1	2.2	2 1/4
CPI adjusted for tax changes and excluding energy products (CPI-ATE)	2.3	1.5	1 3/4	1 3/4	1.7	2 1/4	2	2.3	2 1/4
Export prices, traditional goods	-8.7	-0.4	..	-5	6.5	..	1 1/4	2.2	1 3/4
Import prices, traditional goods	-8.0	2.4	..	..	4.0	..	..	0.1	
Housing prices	6.1	0.7	..	..	5.1	..	..	3.4	
Balance of payment									
Current balance (bill. NOK)	200.6	147.6	203.7	205	145.9	190.1	155	155.3	120
Current balance (per cent of GDP)	13.2	9.6	..	14	9.3	..	10	9.5	8
Memorandum items:									
Household savings ratio (level)	7.2	5.4	6.8	5	6.0	6.6	5 1/4	5.4	5 1/2
Money market rate (level)[5]	6.9	4.6	5.1	5.6	3.8	5.0	5.5	5.1	5.5
Lending rate, banks (level)[6]	8.5	6.6	..	..	5.4	..	..	6.6	..
Crude oil price NOK (level)[7]	197.4	186.7	190.0	..	173.7	172.0	..	173.7	..
Export markets indicator	0.2	4.1	..	..	5.8	..	..	5.0	..
Importweighted krone exchange rate (44 countries)[8]	- 8.5	1.1	..	-3 3/4	2.4	..	0	0.0	0

[1] Forecasts from Norges Bank including stockbuilding.
[2] Forecasts from Ministry of Finance and Norges Bank include service activities incidential to extraction.
[3] Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.
[4] Change in stockbuilding. Per cent of GDP.
[5] NB technically assumes its rates to be constant through the forecast period.
[6] Households' borrowing rate in private financial institutions.
[7] Average spot price, Brent Blend.
[8] Increasing index implies depreciation.
Sources: Statistics Norway (SN), Ministry of Finance, St.meld. nr. 2, 2002-2003 (MoF), Norges Bank, Inflasjonsrapport 1/2003 (NB).

NOK 100 billion in 2002, at current prices. In volume terms, business investment showed a decline of more than 6 per cent between 2001 and 2002, with a particularly strong decline in investment in service industries. Investment in manufacturing, mining/quarrying and primary industries increased somewhat. The announced removal of the investment tax as from the fourth quarter may have contributed to the postponement of some investments. Investment in the service industry fell through the first three quarters, but picked up by 2 per cent between the third and fourth quarter.

So far, seasonally adjusted figures show a weak fall in mainland business investment in the first quarter of this year compared with the previous quarter. While investment in manufacturing and mining fell from the previous quarter, investment in some services sectors increased for the second consecutive quarter. The decline in manufacturing investment primarily reflects the fall in investment in the metal industry, although there is also a general decline in investment in other manufacturing sectors.

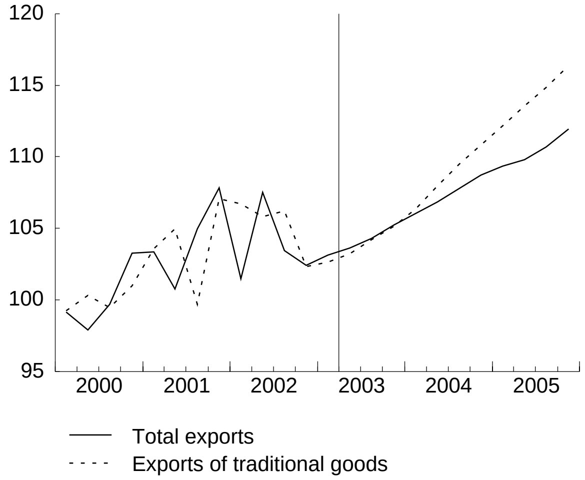
For 2003, gross investment in manufacturing is projected to continue to decline, at constant prices. The contraction in manufacturing investment after several years of expansion must be seen in connection with the completion of several large investment projects, particularly in metal production, the refinery sector and chemical industry. Investment is expected to increase in other mainland private sector industries, although this will not prevent an overall decline of 3 per cent in gross investment in mainland industries from 2002 to 2003. Among the other mainland industries, investment is rising in the banking and insurance sector, the distributive trades, domestic transport and electricity production. Investment in the electricity industry is projected to expand at a rapid pace throughout the projection period.

In line with Statistics Norway's investment intentions survey, manufacturing investment is assumed to continue to decline well into 2004, before higher manufacturing production again boosts investment somewhat. Investment in the commercial building industry is expected to slacken ahead. High investment over several years has increased capacity. Rental prices for commercial property have fallen and the vacancy rate is relatively high. Combined with a low level of manufacturing investment, gross investment in mainland industries in 2004 is projected to be 1.5 per cent lower than in 2003. Thereafter, an investment upswing in most sectors is expected to result in a good 7 per cent increase in mainland gross business investment between 2004 and 2005.

Exports – volume remains steady, prices bear the brunt

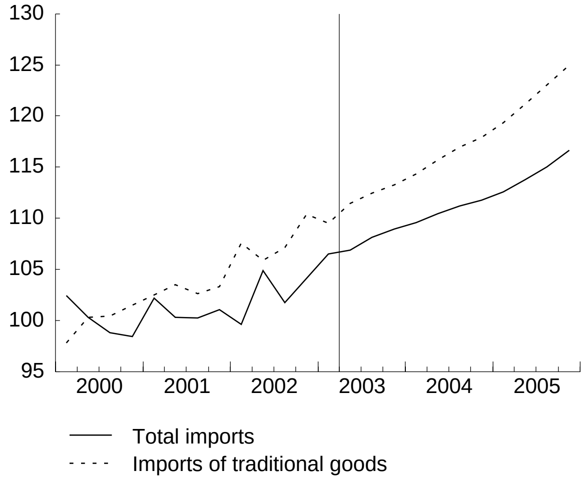
As a result of weak growth in the global economy, there was virtually no increase in demand on Norwegian export markets in 2002. According to the national accounts, the volume of traditional Norwegian exports showed a small increase, primarily driven by growth in exports of petroleum products and engineering products. Seasonally adjusted, traditional merchandise exports fell somewhat through 2002, but growth picked up again in the first quarter of this year. Excluding exports of aircraft (heavily influenced by the re-export that occurs when SAS imports new aircraft to Norway that exceeds Norway's accounting share of 2/7 of investments in the company), the seasonally adjusted increase on the previous quarter was 1.1 per cent. The upswing in the first quarter primarily reflected higher exports of petrol and heating oil, but metals and engineering products also made a clear contribution to the increase. Lower exports of fish and fish products, chemical raw materials and petroleum products other

Exports
Seasonally adjusted volume indices, 2000=100



Source: Statistics Norway.

Imports
Seasonally adjusted volume indices, 2000=100



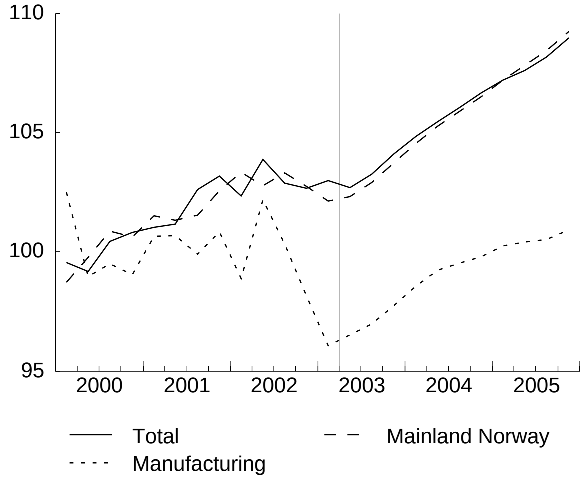
Source: Statistics Norway.

than petrol and heating oil were the main sources of downward pressure on export growth.

Prices for traditional export goods fell by as much as 8.7 per cent in 2002, measured in Norwegian krone terms. The price decline continued into the first quarter of this year. The fall in prices for traditional goods was admittedly far more moderate than in the two previous years, but this is almost solely due to the rise in prices for refined oil products and electricity. For virtually all other groups of goods, prices continued to fall at the same pace as earlier. According to the national accounts, the price decline for engineering products was particularly strong in the first quarter (-5.8 per cent on the previous quarter).

The decline in export prices in recent years primarily reflects the pronounced appreciation of the krone up to

Gross domestic product
Seasonally adjusted volume indices, 2000=100



Source: Statistics Norway.

January of this year. Export companies appear to have responded to the krone appreciation by reducing prices in order to sustain export volumes. The krone started to appreciate already at the end of May 2000, but from a relatively weak level. It was not until the third quarter of 2001 that manufacturing industry's trade-weighted exchange rate index exceeded 103.8 per cent, which corresponded to the average for the period 1993-2000. Thereafter, the index fell (denotes stronger krone) to 91.5 at the beginning of January this year, and then started to rise again. The index fell by 6.5 per cent from the third quarter of 2001 to the first quarter of 2003. In the same period, prices for traditional merchandise exports fell by a seasonally adjusted 10.1 per cent and manufacturing products by 10.4 per cent, i.e. by considerably more than the fall in the exchange rate.

This indicates that factors other than the exchange rate have contributed to the price decline. The main factors are the fall in prices for a number of cyclically sensitive industrial commodities and semi-finished goods, which reflects, as is normal, the current international downturn. But prices for engineering products have also shown a strong decline of -12 per cent. In the same period, prices for imported engineering products fell by as much as export prices, i.e. also considerably more than the exchange rate index. This may indicate that a large share of the price decline is attributable to strong price competition from foreign producers, measured in international prices. Export prices for engineering products have fallen at a faster pace during the last few quarters, which partly reflects that prices for order-based production may have been agreed before the krone started to appreciate. The sharp rise in labour costs over several years, combined with a tendency for engineering companies to pass on higher costs to prices in the short term rather than the long term, may have contributed to amplifying the price decline in recent months.

The krone has depreciated again during the first half of this year. Since export companies so far seem to have allowed exchange rate changes to have more or less a full impact on prices in NOK, we assume that they will react in the same way when the krone depreciates. In addition, it is assumed that international prices for a number of cyclically sensitive export goods will show a cyclically determined increase. Even though this will, in isolation, contribute to countering the previous deterioration in profitability in the enterprise sector, many export companies will still face strong competitive pressures as a result of several years of higher cost inflation than among foreign competitors. This suggests that many Norwegian enterprises will continue to lose market shares. Whereas market growth for Norwegian exports is estimated at 4 per cent this year and around 5.5 per cent in the following two years, traditional merchandise exports are projected to show zero growth this year, and close to 5 per cent in the next two years. However, higher metal exports, as a result of new capacity in the sector, will account a considerable share of growth. Moreover, our macroeconometric model, where industries are seen as whole, may not have fully captured the scale of closures and relocations abroad that might ensue as a result of the current low level of profitability in many enterprises.

A more normal increase in import shares ahead

Norwegian enterprises' loss of market shares as result of high wage growth and a strong krone has contributed to maintaining strong import growth in recent years, in spite of weaker demand growth, particularly for the most import-sensitive demand component, investment and exports. In 2002, traditional merchandise imports increased by 4.7 per cent, and growth continued in the first quarter of this year. The national accounts show seasonally adjusted growth of 1.2 per cent on the previous quarter, excluding aircraft imports, (see discussion on exports).

While exporters – despite strong domestic cost inflation – responded to the strong krone by lowering prices measured in NOK, producers of goods for the domestic market have to a large extent passed on costs to prices in spite of the fact that the krone appreciation led to a decline in prices for competing import goods. For traditional goods as a whole, Norwegian domestic prices increased by as much as 3.4 per cent from the first quarter of 2002 to the first quarter of 2003, while import prices fell by 3.4 per cent. The result is the marked decline in market shares that we are now witnessing. The difference in price-setting between these two groups of producers has been incorporated in our macroeconomic models for a long time, using data from the past 20-30 years. This price-setting behaviour implies that when the krone weakens there will not be a corresponding increase in domestic prices, even if import prices pick up again. This means that even if the decline in market shares continues, it may moderate somewhat in the years ahead. Traditional merchandise imports are expected to increase by 5.3 per cent this year, while mainland demand growth is projected at 1.9 per cent. In 2004 and 2005, import growth is estimated at around 4.5 per cent, with mainland demand growth at close to 3 per cent. Otherwise, a loss of market shares on the home market is considered to be normal in a country that is increasingly being integrated into international trade.

GDP and production – growth gradually picks up

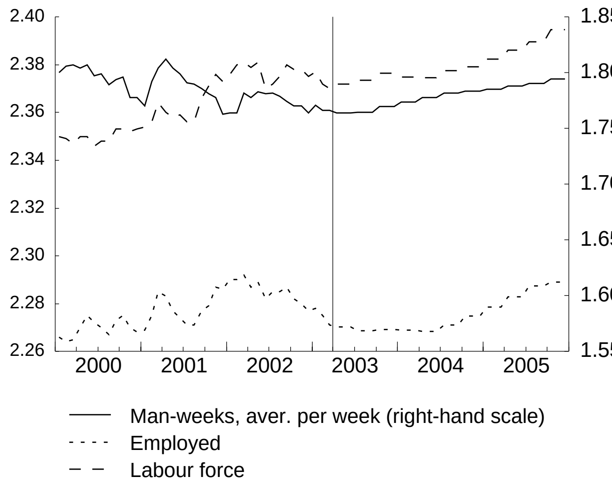
Following a small, seasonally adjusted decline in total GDP towards the end of 2002, total production increased again from the fourth quarter of last year to the first quarter of this year. However, this is wholly attributable to a marked increase in oil and gas production. Seasonally adjusted figures show that the decline in mainland GDP from the end of last year continued into 2003. While an unchanged seasonally adjusted level to the end of 2003 would result in a 1 per cent decline in mainland GDP on an annual basis, we have assumed growth of 0.3 per cent. Moreover, the abnormally low level of electricity production is expected to push down mainland production by close to a half percentage point annualised. Excluding the electricity sector, growth will be somewhat higher, but still markedly lower then trend growth.

The fall in value added in manufacturing that started in the latter half of last year continued into 2003. On an annual basis, a decline of about 2.5 per cent is expected. However, against the background of an assumed pick-up in global growth next year, combined with high consumption growth and an upswing in mainland investment in Norway, and not least a marked increase in production capacity in the metal industry, manufacturing output is expected to show clear growth next year. In 2005, however, output growth is expected to slow again owing to a sharp fall in petroleum investment.

For other mainland enterprises as a whole, growth is expected to continue to be moderate this year. In 2004, growth is expected to be considerably higher in these industries, and to continue at this higher level in 2005.

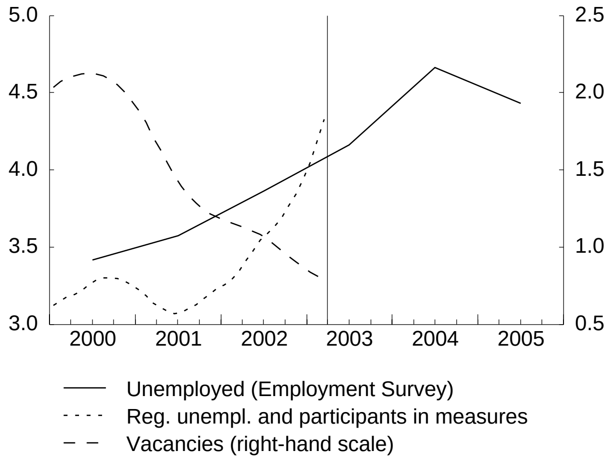
According to national accounts figures, value added in the public sector is falling and has been tending downwards since the end of 2001. This decline has recently been accompanied by a fall in employment and the number of man-hours worked in the public sector. However, public consumption is still rising, reflecting the increase in intermediate consumption (i.e. purchases of goods and services from other sectors). This increase levelled off in 2002, however, and developments so far in 2003 show a weak decline also in public consumption. Value added is expected to show a small decline in 2003 and some increase in 2004 and 2005 primarily as a result of a higher number of working days.

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



Source: Statistics Norway.

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



1) Backwards adjusted for breaks in the series from january 1999.
Sources: The Directorate of Labour and Statistics Norway.

All in all, this implies that mainland production growth will increase from 0.3 per cent this year to 3 per cent in 2004 (partly because of 3 extra working days that year) and be about 2.5 per cent in 2005. As a result, growth will be a little higher than trend growth in the economy in 2004 and 2005. Total GDP growth will be somewhat weaker in both years as a result of a projected slower growth rate for the petroleum sector, and particularly in shipping and oil drilling.

Interest rate reductions restrain rise in unemployment

The broad cyclical downturn during 2002, with severe profitability problems for internationally exposed sectors, is now having an impact on employment. According to QNA figures, after growing moderately in the first half of 2002, overall employment fell in the fourth quarter of last year and showed a further fall in the first quarter of 2003. Total employment fell by 14 700 persons from the first quarter of 2002 to the first quarter of 2003.

The fall in manufacturing employment accounts for the largest share of the total decline. Since the first quarter of 2002, manufacturing employment has dropped by 12 400 persons, or 4.2 per cent. Most other industries are also experiencing a fall in employment. In the public sector, employment fell by 3 600 from the first quarter of 2002 to the first quarter of 2003, or a decline of 0.5 per cent.

Measured as a percentage of the labour force, LFS figures show a seasonally adjusted unemployment rate of 4.1 per cent in the first quarter of this year, or an increase of 0.3 percentage point compared with the first quarter of 2002. According to Labour Directorate figures, registered unemployment rose more markedly, rising seasonally adjusted from 62 000 in May 2001 and 73 000 in May 2002 to 95 000 in May this year. The number of persons participating in labour market programmes has increased by almost 2000 in the same two-year period.

The labour market has slackened to a further extent than that implied both by the LFS and Labour Directorate figures for unemployment. Many unemployed do not consider themselves to be part of the labour force when they remain unemployed for a longer period even if they want to work, and then stop seeking employment. According to LFS figures, labour force participation is thus highly sensitive to changes in unemployment. A decline in total employment of close to 15 000 from the first quarter of 2002 is broken down on a decline in the labour force of 7 000 persons and increase in unemployment of 8 000, reducing the labour force participation rate to 72.6 per cent from almost 73.4 per cent in the first quarter of 2002.

Unemployment is expected to continue to rise up to 2004, with the average LFS unemployment rate projected at 4.7 per cent, up from 4.4 per cent this year. In 2005, unemployment is projected to fall back to 4.4 per cent. This is somewhat lower than earlier projections, primarily owing to the assumption of lower interest rates ahead.

Traditional incomes policy cooperation contributes to lower wager growth

According the Technical Reporting Committee on income settlements, wage growth has been higher in Norway than among trading partners since 1997. The high level of wage growth is probably related to high profitability in internationally exposed industries and the tighter labour market following the fall in unemployment in the 1990s (see box in Economic Survey no. 4/2001). In 2002, wage settlements were also marked by the labour market situation in the previous years. The national accounts show that average wages per normal man-year rose by as much as 5.4 per cent.

However, unemployment increased in 2002 and Norwegian manufacturing's cost competitiveness deteriorated sharply in the same year, primarily as a result of unfavourable exchange rate developments. Profitability problems in internationally exposed industries, weak local government finances and low demand pressure in the wider Norwegian economy have weakened virtually all segments of the labour market in the last year. Against this background wage growth is expected to be lower in the coming years. However, the carry-over from 2002 and the already agreed moderate pay increases so far in 2003 are expected to contribute about 3 percentage points to annual wage growth this year.

On the initiative of the Government last autumn, the social partners and the Government agreed to strengthen incomes policy cooperation. This year's interim settlement has resulted in very moderate pay increases in line with this initiative. Many large groups have not received any increase in this spring's wage negotiations. With wage drift of a little more than 1 percentage point, wage growth is projected at 4.5 per cent in 2003. This is in line with previous projections.

This year's moderate pay increases will result in a low carry-over, which means that wage growth will be somewhat lower next year even with relatively high pay increases in the main settlement in 2004. Growth in wages per normal man-year is projected at 4.0 per cent both in 2004 and 2005.

Consumer price inflation falls sharply

In the past few years, developments in electricity prices have been one of the main explanatory factors behind variations in the year-on-year rise in consumer prices. Recently, they have played a dominant role in price developments. Towards the end of last year and into 2003, electricity prices rose sharply. The year-on-year rise in the consumer price index (CPI) moved up from 2.1 per cent in November 2002 to 2.8 per cent in December. In January, electricity prices were as much as 82.5 per cent higher than in January last year, which meant that CPI inflation was 5 per cent higher than one year earlier. Electricity prices have subsequently fallen and the rate of increase fell to 2.1 per cent in May. Electricity prices account for 2.2 percentage points of the 2.9 percentage point decline in CPI inflation from January to May.

The rate of increase in the CPI adjusted for tax changes and excluding energy products (CPI-ATE) has ten-

Consumer price index in 2003
Rise from same month one year earlier and direct contribution[1] from electricity prices in percentage points

	CPI inflation	Contribution from elec. prices
January	5.0	3.2
February	4.8	2.8
March	3.7	2.1
April	2.9	1.3
May	2.1	1.0

[1] Difference between year-on-year rise in total index and the CPI excluding electricity.

ded downwards over the past 12 months, falling from 2.7 per cent in June and July 2002 to 1.8 per cent in December and down to 1.2 per cent in May. The appreciation of the krone up to January this year has been a main factor behind developments. This is reflected in an accelerating fall in prices for imported consumer goods in recent years. Prices for fish and goods that are influenced by foreign competition have shown a particularly strong decline. Services with wages as a dominant price factor have shown a similar trend. On the other hand, statistics on other services, including rents, showed upward price movements through the first four months of this year, but the rise in prices for these services also edged down between April and May.

In spite of the depreciation of the krone since the beginning of January, the krone was almost 9 per cent stronger in the first quarter of 2003 compared with the same quarter of 2002, as measured by the import-weighted exchange rate. Import prices for many groups of goods that account for a large share of household consumption have shown comparable change, which would indicate that international prices have remained virtually unchanged. One important exception is import prices for cars, which according to the QNA rose by 2.0 per cent in this period. According to the CPI, however, domestic car prices rose by only 0.4 per cent in the first quarter and fell by 0.1 per cent in April compared with the same periods one year earlier. This may indicate lower margins for car dealers.

The underlying rise in prices is largely determined by labour costs and import prices. A strong krone and low import prices have neutralized high labour costs. It will probably take some time for the high rise in labour costs in recent years to feed fully through to prices. In the same way, the krone appreciation that has taken place is still exerting downward pressure on prices.

This spring's moderate wage settlement points to low inflation, while the recent marked depreciation of the krone has the opposite effect. Excluding the effects of interest rate changes on the exchange rate, the recent decline in interest rates is contributing to reducing inflation one to two years ahead via lower house rents and reduced inventory costs. The current downturn in the Norwegian economy may also contribute to lower prices if enterprises are forced to reduce margins or implement additional efficiency measures. Lower day-care rates as a result of higher government transfers from August this year are also pushing down CPI inflation. Our projections have, however, not incorporated any explicit changes as a result of the introduction of a maximum price for day-care places. At the cut-off date for this report, the effects of this are not entirely clear, but the effects from 1 May 2004 are likely to be moderate in any case.

Underlying inflation is projected to pick up somewhat as early as in the second half of this year. As an annual average, CPI-ATE inflation is projected at 1.5 per cent this year, rising to 2.3 per cent in 2005.

Electricity prices are projected on the basis of forward prices in mid-May. Electricity prices for households are expected to edge down further into summer and thereafter remain virtually unchanged before rising moderately through the fourth quarter. Prices are also likely to increase somewhat at the beginning of 2004. In 2004 and 2005, a more normal price path is expected, i.e. somewhat higher in the winter than in the summer. As an annual average, electricity prices are projected to rise by about 32 per cent in 2003 and decline by about 20 per cent in 2004. In 2005, electricity prices for households are expected to be marginally higher than in the previous year. Oil prices, measured in NOK, are assumed to fall by 6-7 per cent as an annual average in 2003 and 2004 and remain unchanged in 2005. The calculations do not include any real indirect tax changes for 2004 or 2005. The year-on-year rise in the CPI is expected to remain at about the same level as in May until the end of the year, followed by a sharp fall in January when CPI inflation may be negative because of the extremely high electricity prices this year. CPI inflation is then projected to rise, reaching around 2.5 per cent towards the end of the projection period.

There are currently many and strong opposing forces that are influencing inflation. Lagged effects of previous changes have the opposite effect of the more immediate effects of recent changes in the same variables. In such a situation, the uncertainty in the model-based calculations for inflation is greater than usual.

Balance of payments – lower oil exports, higher imports

Preliminary quarterly national accounts figures show a current account surplus of NOK 54 billion in the first quarter of 2003, virtually unchanged on the same quarter last year. The trade surplus was NOK 60 billion and was the highest since the third quarter of 2001. The deficit on the interest and transfers balance was consequently NOK 6 billion, or somewhat higher than the quarterly average for 2002. This is partly due to high share dividends paid abroad, but also to some extent to large private (net) transfers abroad.

For 2003, the current account surplus is now projected at NOK 148 billion, compared with a surplus of NOK 201 billion for 2002. The decline of NOK 53 billion partly reflects lower values for oil exports, higher imports of goods and a somewhat higher deficit on the interest and transfers balance. For 2004 and 2005, the current account surplus is expected to remain unchanged from the 2003 level.

National accounts: Final expenditure and gross domestic product
At fixed 2000 prices. Million kroner

	Unadjusted		Seasonally adjusted							
	2001	2002	01.2	01.3	01.4	02.1	02.2	02.3	02.4	03.1
Final consumption exp. of housh. and NPISHs	641 829	664 700	159 586	161 204	162 050	164 112	164 908	166 645	168 888	168 530
Household final consumption expenditure	615 225	638 102	152 952	154 581	155 309	157 508	158 303	160 111	162 024	161 773
Goods	342 546	356 706	84 866	85 787	86 929	88 480	88 525	88 820	90 814	89 909
Services	263 866	270 251	65 878	66 103	66 689	66 991	67 120	67 875	68 529	68 283
Direct purchases abroad by resident househ.	27 131	28 901	6 780	6 999	6 384	6 637	7 252	7 607	7 139	7 754
Direct purchases by non-residents	-18 317	-17 755	-4 572	-4 309	-4 693	-4 600	-4 594	-4 191	-4 457	-4 173
Final consumption exp. of NPISHs	26 605	26 598	6 634	6 624	6 740	6 604	6 605	6 534	6 864	6 757
Final consump. exp. of general government	288 592	297 914	72 239	72 489	73 171	75 434	73 045	74 818	74 674	75 047
Final consump. exp. of central government	115 101	161 052	28 826	28 808	29 038	40 558	39 758	40 378	40 383	41 143
Central government, civilian	88 521	133 445	22 171	22 179	22 398	33 667	32 825	33 500	33 479	34 225
Central government, defence	26 579	27 606	6 655	6 629	6 640	6 891	6 933	6 877	6 904	6 918
Final consump. exp. of local government	173 491	136 862	43 412	43 681	44 133	34 876	33 287	34 441	34 291	33 904
Gross fixed capital formation	261 191	251 728	64 542	63 779	64 907	60 870	65 710	60 705	64 617	64 343
Extraction and transport via pipelines	54 837	52 312	12 743	13 842	15 156	13 189	12 529	12 897	13 700	14 592
Service activities incidential to extraction	-797	5 427	512	102	-1 584	82	4 220	-4	1 119	560
Ocean transport	10 886	6 663	2 016	1 449	2 840	887	1 485	1 330	2 961	2 749
Mainland Norway	196 265	187 326	49 271	48 386	48 494	46 712	47 477	46 482	46 836	46 442
Mainland Norway ex. general government	156 189	147 269	39 592	38 705	38 220	36 786	37 030	36 469	37 036	36 747
Manufacturing and mining	21 163	22 614	5 314	5 276	5 820	5 031	5 872	5 739	6 014	4 678
Production of other goods	16 070	16 790	3 872	4 103	3 932	3 920	4 244	4 279	4 232	4 608
Dwellings	49 475	47 395	12 326	12 426	12 614	12 320	12 019	11 696	11 448	11 380
Other services	69 481	60 469	18 081	16 900	15 855	15 515	14 895	14 755	15 341	16 082
General government	40 077	40 058	9 678	9 681	10 274	9 926	10 446	10 012	9 800	9 695
Changes in stocks and stat. discrepancies	27 193	29 954	10 590	7 586	2 930	8 934	6 667	8 118	5 568	8 413
Gross capital formation	288 384	281 682	75 132	71 365	67 837	69 804	72 376	68 823	70 185	72 756
Final domestic use of goods and services	1 218 805	1 244 296	306 957	305 059	303 057	309 351	310 329	310 287	313 747	316 333
Final demand from Mainland Norway	1 126 687	1 149 940	281 095	282 080	283 715	286 259	285 430	287 945	290 399	290 019
Final demand from general government	328 668	337 972	81 917	82 170	83 445	85 360	83 492	84 831	84 474	84 741
Total exports	713 743	709 868	172 545	179 740	184 643	173 753	184 109	177 144	175 413	176 600
Traditional goods	222 201	225 163	56 153	53 337	57 262	57 084	56 601	56 811	54 737	54 903
Crude oil and natural gas	322 590	323 206	75 338	83 596	83 343	75 494	86 456	80 785	80 838	81 715
Ships and oil platforms	15 716	9 941	3 214	4 464	5 340	3 460	3 287	2 043	1 151	2 313
Services	153 236	151 558	37 840	38 343	38 698	37 714	37 765	37 505	38 687	37 670
Total use of goods and services	1 932 548	1 954 164	479 502	484 799	487 700	483 104	494 438	487 431	489 161	492 932
Total imports	435 146	442 534	108 043	107 978	108 847	107 301	112 951	109 635	112 169	114 734
Traditional goods	282 860	296 144	71 080	70 449	70 954	73 884	72 693	73 566	75 781	75 198
Crude oil	1 852	1 021	489	290	539	263	289	302	184	917
Ships and oil platforms	14 365	11 171	2 130	3 519	4 058	766	6 615	1 538	2 252	3 588
Services	136 068	134 198	34 344	33 720	33 296	32 389	33 354	34 228	33 953	35 031
Gross domestic product	1 497 402	1 511 630	371 459	376 821	378 853	375 803	381 487	377 796	376 991	378 198
Mainland Norway (market prices)	1 119 859	1 134 208	279 007	279 589	282 404	284 518	282 940	284 439	282 864	281 231
Petroleum activities and ocean transport	377 543	377 422	92 452	97 233	96 449	91 285	98 546	93 357	94 127	96 967
Mainland Norway (basic prices)	971 575	982 397	242 136	242 375	244 881	246 623	245 490	246 187	244 716	243 272
Mainland Norway ex. general government	754 528	765 297	187 880	188 007	190 212	191 080	192 205	191 868	190 584	189 614
Manufacturing and mining	145 143	144 126	36 338	36 060	36 400	35 690	36 883	36 211	35 431	34 669
Production of other goods	100 576	102 110	24 848	24 189	25 347	25 667	25 380	25 937	25 102	24 157
Service industries	508 808	519 061	126 694	127 758	128 464	129 723	129 942	129 721	130 051	130 788
General government	217 047	217 100	54 256	54 368	54 670	55 544	53 285	54 319	54 132	53 658
Correction items	148 284	151 811	36 871	37 214	37 523	37 894	37 450	38 252	38 149	37 959

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product
At fixed 2000- prices. Percentage volume change from previous period

	Unadjusted		Seasonally adjusted							
	2001	2002	01.2	01.3	01.4	02.1	02.2	02.3	02.4	03.1
Final consumption exp. of housh. and NPISHs	2.6	3.6	0.4	1.0	0.5	1.3	0.5	1.1	1.3	-0.2
Household final consumption expenditure	2.6	3.7	0.4	1.1	0.5	1.4	0.5	1.1	1.2	-0.2
Goods	2.8	4.1	-0.1	1.1	1.3	1.8	0.1	0.3	2.2	-1.0
Services	2.4	2.4	0.6	0.3	0.9	0.5	0.2	1.1	1.0	-0.4
Direct purchases abroad by resident househ.	-1.1	6.5	-0.8	3.2	-8.8	4.0	9.3	4.9	-6.2	8.6
Direct purchases by non-residents	-3.8	-3.1	-6.7	-5.8	8.9	-2.0	-0.1	-8.8	6.3	-6.4
Final consumption exp. of NPISHs	1.7	0.0	0.4	-0.2	1.8	-2.0	0.0	-1.1	5.0	-1.6
Final consump. exp. of general government	2.7	3.2	1.7	0.3	0.9	3.1	-3.2	2.4	-0.2	0.5
Final consump. exp. of central government	2.5	39.9	0.9	-0.1	0.8	39.7	-2.0	1.6	0.0	1.9
Central government, civilian	4.5	50.7	1.1	0.0	1.0	50.3	-2.5	2.1	-0.1	2.2
Central government, defence	-3.7	3.9	0.0	-0.4	0.2	3.8	0.6	-0.8	0.4	0.2
Final consump. exp. of local government	2.8	-21.1	2.2	0.6	1.0	-21.0	-4.6	3.5	-0.4	-1.1
Gross fixed capital formation	-4.2	-3.6	-5.3	-1.2	1.8	-6.2	8.0	-7.6	6.4	-0.4
Extraction and transport via pipelines	-1.0	-4.6	-2.7	8.6	9.5	-13.0	-5.0	2.9	6.2	6.5
Service activities incidential to extraction	-118.6	-780.6	209.1	-80.2	..	-105.2	..	-100.1	..	-50.0
Ocean transport	-40.0	-38.8	-56.0	-28.1	96.0	-68.8	67.3	-10.4	122.7	-7.2
Mainland Norway	0.7	-4.6	-2.1	-1.8	0.2	-3.7	1.6	-2.1	0.8	-0.8
Mainland Norway ex. general government	0.1	-5.7	-0.4	-2.2	-1.3	-3.8	0.7	-1.5	1.6	-0.8
Manufacturing and mining	13.6	6.9	11.2	-0.7	10.3	-13.6	16.7	-2.3	4.8	-22.2
Production of other goods	-2.2	4.5	-4.5	6.0	-4.2	-0.3	8.3	0.8	-1.1	8.9
Dwellings	3.7	-4.2	1.0	0.8	1.5	-2.3	-2.4	-2.7	-2.1	-0.6
Other services	-5.1	-13.0	-3.4	-6.5	-6.2	-2.1	-4.0	-0.9	4.0	4.8
General government	2.9	0.0	-8.4	0.0	6.1	-3.4	5.2	-4.2	-2.1	-1.1
Changes in stocks and stat. discrepancies	-22.4	10.2	75.7	-28.4	-61.4	204.9	-25.4	21.8	-31.4	51.1
Gross capital formation	-6.3	-2.3	1.3	-5.0	-4.9	2.9	3.7	-4.9	2.0	3.7
Final domestic use of goods and services	0.4	2.1	0.9	-0.6	-0.7	2.1	0.3	0.0	1.1	0.8
Final demand from Mainland Norway	2.3	2.1	0.3	0.4	0.6	0.9	-0.3	0.9	0.9	-0.1
Final demand from general government	2.7	2.8	0.4	0.3	1.6	2.3	-2.2	1.6	-0.4	0.3
Total exports	4.1	-0.5	-2.5	4.2	2.7	-5.9	6.0	-3.8	-1.0	0.7
Traditional goods	3.7	1.3	1.4	-5.0	7.4	-0.3	-0.8	0.4	-3.7	0.3
Crude oil and natural gas	5.2	0.2	-6.2	11.0	-0.3	-9.4	14.5	-6.6	0.1	1.1
Ships and oil platforms	51.5	-36.7	19.1	38.9	19.6	-35.2	-5.0	-37.8	-43.7	100.9
Services	-1.0	-1.1	-1.8	1.3	0.9	-2.5	0.1	-0.7	3.2	-2.6
Total use of goods and services	1.7	1.1	-0.3	1.1	0.6	-0.9	2.3	-1.4	0.4	0.8
Total imports	0.9	1.7	-1.9	-0.1	0.8	-1.4	5.3	-2.9	2.3	2.3
Traditional goods	2.9	4.7	1.0	-0.9	0.7	4.1	-1.6	1.2	3.0	-0.8
Crude oil	2.5	-44.9	-14.2	-40.7	85.9	-51.3	10.1	4.6	-39.2	399.1
Ships and oil platforms	-45.4	-22.2	-54.3	65.2	15.3	-81.1	763.6	-76.7	46.4	59.3
Services	6.0	-1.4	-0.3	-1.8	-1.3	-2.7	3.0	2.6	-0.8	3.2
Gross domestic product	1.9	1.0	0.1	1.4	0.5	-0.8	1.5	-1.0	-0.2	0.3
Mainland Norway (market prices)	1.7	1.3	-0.2	0.2	1.0	0.7	-0.6	0.5	-0.6	-0.6
Petroleum activities and ocean transport	2.7	0.0	1.0	5.2	-0.8	-5.4	8.0	-5.3	0.8	3.0
Mainland Norway (basic prices)	1.6	1.1	-0.1	0.1	1.0	0.7	-0.5	0.3	-0.6	-0.6
Mainland Norway ex. general government	1.8	1.4	-0.3	0.1	1.2	0.5	0.6	-0.2	-0.7	-0.5
Manufacturing and mining	0.5	-0.7	0.0	-0.8	0.9	-1.9	3.3	-1.8	-2.2	-2.2
Production of other goods	-3.2	1.5	-3.4	-2.7	4.8	1.3	-1.1	2.2	-3.2	-3.8
Service industries	3.2	2.0	0.2	0.8	0.6	1.0	0.2	-0.2	0.3	0.6
General government	1.0	0.0	0.8	0.2	0.6	1.6	-4.1	1.9	-0.3	-0.9
Correction items	2.1	2.4	-0.8	0.9	0.8	1.0	-1.2	2.1	-0.3	-0.5

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product
Price indices. 2000=100

	Unadjusted		Seasonally adjusted							
	2001	2002	01.2	01.3	01.4	02.1	02.2	02.3	02.4	03.1
Final consumption exp. of households and NPISHs	102.4	103.1	103.2	102.6	102.3	102.1	102.6	103.2	104.0	106.0
Final consumption exp. of general government	107.3	111.6	106.5	107.4	109.9	108.6	111.2	113.0	113.1	114.9
Gross fixed capital formation	103.6	103,0	105. 0	104.8	102.3	102.3	104.8	105.4	100.3	100.0
Mainland Norway	103.4	103.5	103.8	104.6	103.4	102.2	104.5	105.5	102.8	100.3
Final domestic use of goods and services	103.7	104.9	103.4	102.5	105.1	101.9	106.5	104.8	106.6	106.4
Final demand from Mainland Norway	103.8	105.3	104.1	104.1	104.4	103.8	105.1	106.1	106.1	107.4
Total exports	97.7	88.8	104.1	97.4	88.4	89.5	89.6	88.0	88.1	91.2
Traditional goods	97.1	88.7	99.2	96.1	92.7	91.0	89.4	87.3	87.2	86.4
Total use of goods and services	101.5	99.1	103.7	100.6	98.8	97.5	100.2	98.7	99.9	101.0
Total imports	100,0	93.8	101.2	99.1	97.9	95.9	94.4	93.1	91.9	92.3
Traditional goods	99.8	91.9	101.5	98.5	96.8	94.2	91.9	91.2	90.3	91.1
Gross domestic product	101.9	100.6	104.4	101.1	99.1	97.9	101.9	100.3	102.3	103.6
Mainland Norway (market prices)	103.8	106.4	104.1	103.3	105.1	103.5	107.3	106.8	108.0	107.0

Source: Statistics Norway.

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

	Unadjusted		Seasonally adjusted							
	2001	2002	01.2	01.3	01.4	02.1	02.2	02.3	02.4	03.1
Final consumption exp. of households and NPISHs	2.4	0.7	1.4	-0.6	-0.3	-0.1	0.5	0.5	0.8	1.9
Final consumption exp. of general government	7.3	4.0	1.3	0.8	2.3	-1.2	2.4	1.6	0.1	1.6
Gross fixed capital formation	3.6	-0.6	2.2	-0.1	-2.4	-0.1	2.5	0.6	-4.9	-0.3
Mainland Norway	3.4	0.1	1.7	0.7	-1.2	-1.2	2.3	0.9	-2.6	-2.4
Final domestic use of goods and services	3.7	1.1	-0.7	-0.9	2.6	-3.1	4.5	-1.5	1.7	-0.2
Final demand from Mainland Norway	3.8	1.5	1.4	0.0	0.3	-0.5	1.2	0.9	0.1	1.2
Total exports	-2.3	-9.1	2.6	-6.4	-9.3	1.3	0.1	-1.8	0.1	3.6
Traditional goods	-2.9	-8.7	-1.0	-3.2	-3.5	-1.9	-1.8	-2.3	-0.1	-1.0
Total use of goods and services	1.5	-2.4	0.5	-2.9	-1.8	-1.4	2.8	-1.5	1.3	1.0
Total imports	0.0	-6.2	-1.2	-2.1	-1.2	-2.0	-1.6	-1.4	-1.2	0.4
Traditional goods	-0.2	-8.0	-1.6	-3.0	-1.7	-2.6	-2.4	-0.8	-0.9	0.8
Gross domestic product	1.9	-1.3	1.0	-3.2	-2.0	-1.2	4.1	-1.5	2.0	1.2
Mainland Norway (market prices)	3.8	2.5	1.6	-0.8	1.7	-1.6	3.7	-0.5	1.1	-0.9

Source: Statistics Norway.

Technical comments on the quarterly figures

Quarterly calculations: The calculations are made on a less detailed level than the calculations for the annual national accounts, and are based on more simplified procedures.

Base year and chain linking of the data: In the quarterly national accounts (QNA) all volume measures are currently calculated at constant 2000 prices using weights from that year. The choice of base year influences the constant price figures and thus the annual rates of change in volume (growth rates). For the sake of comparison, all tables present growth rates with 2000 as the base year (common year of recalculation). The recalculation of prices is carried out at the sectoral level of the quarterly national accounts.