Norwegian economy

Figures from the quarterly national accounts (QNA) show that the Norwegian economy expanded at a moderate pace in the first half of 2002. Both total GDP and mainland GDP were only slightly above the level recorded in the second half of 2001. The level of gross investment and exports was lower than in the previous six months, while household and public sector consumption demand increased. Growth in household consumption, however, was moderate in relation to the sharp rise in real income, which reflects high wage growth and subdued consumer price inflation. Employment growth was low and pressures in the labour market are subsiding. The gradual slowdown

in the Norwegian economy, which began after the cyclical peak was passed in 1998, has therefore persisted.

The combination of subdued global growth and considerable uncertainty in international financial markets concerning future developments, along with high interest rates in Norway, resulted in a strong appreciation of the Norwegian krone over the past year. The appreciation was particularly strong up to end-June this year. This has resulted in a sharp fall in export and import prices measured in krone terms. So far, however, the feed-through to consumer prices has

Macroeconomic indicators 2000-2002 Growth from previous period unless otherwise noted. Per cent

				Seasonally adjusted					
	2000	2001	01.3	01.4	02.1	02.2			
Demand and output									
Consumption in households and non-profit organizations	3.5	2.5	0.7	0.0	1.3	0.6			
General government consumption	1.2	2.0	0.2	0.8	1.3	1.0			
Gross fixed investment	-1.5	-4.6	-3.2	2.4	-3.5	2.3			
- Mainland Norway	3.4	-0.3	-3.9	0.3	-0.4	-0.3			
-Extraction and transport via pipelines	-31.6	7.2	13.2	18.9	-18.8	-3.6			
-Service activities incidential to extraction									
Final domestic demand from Mainland Norway ¹	2.9	1.8	-0.3	0.3	1.0	0.5			
Exports	2.9	4.2	3.3	2.6	-5.8	4.4			
- Crude oil and natural gas	6.6	5.2	10.5	-1.1	-7.8	11.5			
- Traditional goods	1.7	4.0	-3.9	6.5	-2.3	2.7			
Imports	3.2	0.0	-1.8	2.4	-3.5	0.5			
- Traditional goods	2.6	4.0	-3.1	2.7	1.8	-2.6			
Gross domestic product	2.4	1.4	0.8	0.4	-0.3	0.8			
- Mainland Norway	1.9	1.2	0.2	0.7	0.5	-0.7			
Labour market ²									
Man-hours worked	-1.1	-1.0	-0.7	-0.8	-0.8	1.1			
Employed persons	0.4	0.5	-0.2	0.6	0.0	0.1			
Labour force	0.8	0.6	0.0	0.8	0.0	0.2			
Unemployment rate, level ³	3.1	3.3	3.6	3.8	3.8	3.8			
Prices									
Consumer price index (CPI) ⁴	3.1	3.0	2.6	2.0	1.1	0.4			
CPI adjusted for tax changes and (excluding									
energy products (CPI-A28ATE) ⁴		2.6	2.4	2.6	2.4	2.6			
Export prices, traditional goods	13.5	-3.1	-4.3	-2.7	-1.8	-2.4			
Import prices, traditional goods	4.8	0.4	-3.6	-1.4	-2.5	-1.4			
Balance of payment									
Current balance, bill. NOK	219.6	233.4	62.9	50.3	57.0	58.0			
Memorandum items (Unadjusted, level)									
Money market rate (3 month NIBOR)	6.8	7.2	7.3	6.8	6.5	6.9			
Lending rate, banks	8.1	8.8	8.9	8.7	8.3	8.4			
Crude oil price NOK ⁵	252.0	220.1	228.3	173.0	186.1	205.2			
Importweighted krone exchange rate, 44 countries, 1995=100		100.2	99.5	98.5	97.2	92.5			
NOK per ECU/euro	8.1	8.1	8.0	8.0	7.8	7.5			

¹ Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.

² Figures for 2000 and 2001 are from national accounts. The quarterly figures are from Statistsics 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 Average spot price, Brent Blend.

Sources: Statistics Norway and Norges Bank

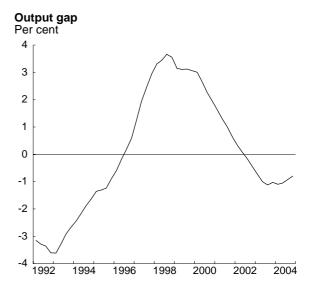
been fairly modest. The krone appreciation has had even less of an impact on wages, which measured in a common currency have risen sharply over the past year. Reports from local wage settlements in the past few months indicate, however, that wage pressures may be subsiding.

Assessments of the outlook for the Norwegian economy are now largely linked to assumptions concerning developments in the krone exchange rate. The import-weighted krone exchange rate remained strong through the summer, but we assume that the krone will depreciate through 2003. However, the level in 2004 will be noticeably higher than the normal range in the earlier monetary policy regime with a stable exchange rate as the objective.

Fiscal policy

The quarterly national accounts (QNA) show that seasonally adjusted growth in general government consumption in the first half of 2002 was about twice the level of annual growth that was estimated for 2002 as a whole in the Revised National Budget (RNB) for 2002. We have therefore assumed that growth through the second half of 2002 will be noticeably lower than in the first half of the year. More specifically, we have assumed that seasonally adjusted general government consumption will be at approximately the same level in the second half of the year as in the first half, which would put the annual rate of growth in 2002 at 2.5 per cent, compared with an estimate of 1.5 per cent in the RNB. The large pay increases awarded in the spring wage settlement may imply that growth in consumption volume will be lower ahead if budgets are to be observed. Strong growth in general government consumption combined with tighter budgets may imply that growth in general government investment will be slightly lower than assumed earlier. Investment growth is therefore now projected at a good 5 per cent in 2002.

Weak international stock markets and a strong Norwegian krone exchange rate imply a substantially lower estimate for the value of the Petroleum Fund (measured in krone terms) at the end of the year than projected earlier. However, the fiscal guideline for the use of the expected real return on the Petroleum Fund permits large shocks to asset values of this type to be absorbed over some years. This makes it possible to use more funds over the government budget next year than 4 per cent of the expected value of the Fund at the end of 2002, but this means that there is less scope for increasing the use of oil revenues in 2004. Another factor that may play a role for the government budget in 2003 is the general economic situation. This has become noticeably weaker through 2002 and can now be characterized as being approximately cyclically neutral. It may therefore be reasonable to assume that fiscal policy will be cyclically neutral in 2003. This can provide scope for compen-



Source: Statistics Norway.

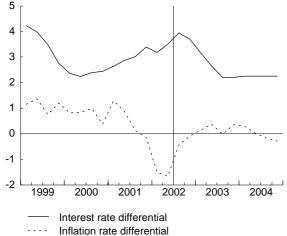
sating to some extent for the reduction in the use of oil revenues. The choice here, however, will depend on the weight given to fiscal expansion versus a less tight monetary policy in the period ahead.

The reduction in the value of the Petroleum Fund thus points to a somewhat tighter fiscal policy in 2003, while the cyclical situation points to the opposite. We have therefore decided to retain approximately the same projections for growth in general government consumption and investment in 2003 as in the June report. With regard to tax policy, the removal of the investment tax this autumn will limit the scope for further changes in direct and indirect taxes in 2003. The cost of the compromise on day-care rates between the opposition parties in the Storting, which in practice will function as a tax reduction, may be roughly estimated at NOK 1 billion in 2003 and will, in isolation, push down consumer price inflation by a tenth of a point in 2003. We have otherwise assumed unchanged real indirect tax rates in 2003, as in the June report.

In 2004, general government consumption is projected to expand by 2.6 per cent, with gross investment approximately unchanged compared with 2003. The agreement on expanding day-care coverage and a further reduction in day-care rates are estimated to have a revenue effect amounting to about NOK 3 billion in 2004 and are expected to push down the rise in the CPI by 0.4 per cent. The high estimate of 2.6 per cent for growth in general government consumption reflects a good 0.6 percentage point change in the number of working days, which influences the number of man-hours worked without affecting wage expenditure to any extent. Against the background of the compromise on day-care, we have not assumed further tax reductions in 2004.

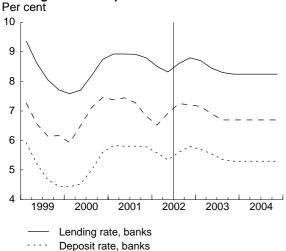
Interest rate and inflation differential between NOK, and the ECU/euro

Percentage points



Sources: Norges Bank and Statistics Norway.

Lending rate and deposit rate

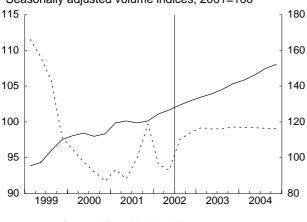


Sources: Norges Bank.

Demand from Mainland Norway and investment in petroleum activities

Seasonally adjusted volume indices, 2001=100

Money market rate



Demand from Mainland NorwayInv. in extraction and transport via pipelines

Source: Statistics Norway.

Interest rates and the krone exchange rate

In July, Norges Bank raised its key rate by 0.5 percentage point, to 7 per cent. The three-month money market rate stood at about 7.2 per cent on 3 September. The wage settlements of recent years, high interest rates and the strong krone exchange rate have created problems for the internationally exposed manufacturing sector, which in turn has had an effect on subsuppliers. In isolation, this will contribute to a moderate wage settlement next spring, which may create scope for Norges Bank to reduce its key rate next year. We have assumed that the three-month money market rate will remain at approximately the current level up to the end of the year and then gradually fall to 6.7 per cent up to next summer as it becomes increasingly evident that pressures in the Norwegian economy have subsided. This is in line with expectations in the money market at the beginning of September. We have assumed that money market rates will remain unchanged at this level through the projection period.

The import-weighted krone exchange rate has appreciated by about 10 per cent since the beginning of the year. The krone has appreciated by 8 per cent against the euro in the same period. We project that the strong appreciation will be reversed somewhat and that the krone will depreciate gradually to 7.75 against the euro at the end of 2004. This results in approximately the same path as assumed in the June report, but the krone depreciation takes place at a somewhat later time, so that the import-weighted krone exchange rate as an annual average will appreciate somewhat more sharply this year and next. while the depreciation in 2004 will be a little more pronounced. However, a sharp rise in oil prices, for example as a result of a US attack on Iraq, may contribute to a further appreciation of the krone.

In line with our projections for international developments, we assume that interest rates in the euro area and in the US will remain low in the period to the end of the year and then edge up in the course of 2003 as economic growth picks up. This path implies that the interest rate differential between Norway and our most important trading partners will narrow somewhat next year, which underpins the projection of a depreciation of the krone.

Upward adjustment of petroleum investment projections

Oil production is projected to increase through 2002, but the implemented production cuts in the first half of the year will nevertheless mean that production this year will be a good 2 per cent lower than in 2001. In 2003 and 2004, our projections are based on the assumption of a marginal increase in production in the order of 2-3 per cent annually; according to the last Revised National Budget, oil production will peak in 2004 and decline thereafter. As a result of the start-up of production in several new gas fields this year, gas

production in 2002 will be a good 25 per cent higher than in 2001. Some fields have already come on stream and others are expected to start production this autumn. We assume that annual growth in gas production will rise by a further 6 per cent in the next two years.

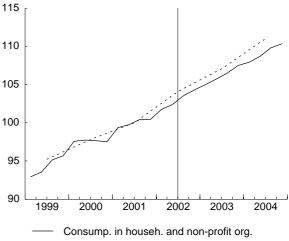
Measured in US dollar terms, the oil price has been rising through 2002, and we assume that it will remain at approximately the current level in the last four months of the year, i.e. USD 26, for the remainder of the projection period. The average for 2002 is thereby expected to be USD 25. Measured in krone terms, this means that the oil price will be a little less than NOK 200 in both 2003 and 2004.

Statistics Norway's investment intentions survey for petroleum activities now shows that investment costs in 2002 are expected to increase by a little more than 3 per cent compared with 2001. It is uncertain what type of price changes form the basis for the estimates, but in keeping with the general tendency of weak price movements we assume that the increase in volume will be the same as the increase in value. Whereas investment in the form of exploration, pipeline transport and the development of new fields is assumed to fall, investment related to existing fields and land-based facilities is expected to expand relatively sharply. The estimates are based on the development of the Snøhvit field even though there are still aspects of the project that are controversial and delays may occur. The land-based facility for the Snøhvit field is an LNG plant, an area in which Norwegian contractors have little expertise. The majority of the contracts for development have therefore so far been awarded to foreign enterprises, which means that the import share of investment relating to this will be very high. In isolation, this points to a lower demand impetus for the Norwegian economy in 2002 than in 2001. However, our projections for investment in existing fields have been revised up to a considerable extent compared with the previous projections published in June, so that the impetus for the Norwegian economy will nevertheless show a slight rise. In 2003, investment is projected to rise by a good 6 per cent and then increase slightly through 2004. Along with investment in land-based facilities, investment in pipeline transport will also pick up through these two years.

Moderate growth in consumption despite strong income growth

Following sluggish growth in household consumption through 2001, with a decline in direct purchases abroad by resident households following the terrorist attacks on the US as an important contributor, consumption growth picked up again at the beginning of 2002 but has not continued at the same pace later in the spring and summer. Taking into account the sharp growth in household real income, the relatively weak rise in household consumption may seem surprising. Several factors, however, may contribute to explaining this.

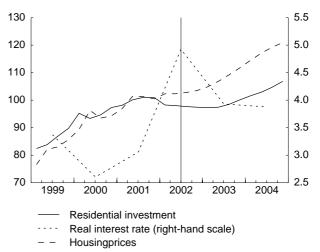
Income and consumption in households Seasonally adjusted volume indices, 2001=100



Household real disposible income

Source: Statistics Norway.

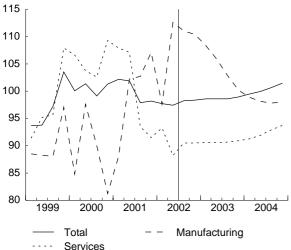
Residential investment and housingprices Seasonally adjusted volume indices, 2001=100



Source: Statistics Norway.

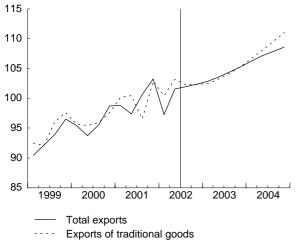
First, growth in household income was not particularly strong in 2001 and the household saving ratio showed little change from 2000 to 2001, according to preliminary national accounts figures. When income growth picks up, it is common to assume that the saving ratio will increase in the short and medium term until households adjust behaviour to what they perceive as a permanently higher income level. Furthermore, the real after-tax interest rate has risen considerably through 2002, partly as a result of the increase in nominal interest rates, but particularly because inflation has fallen. However, nominal interest rates are not very different from the level at the beginning of 2001. Finally, the fall in equity prices has contributed to slower growth in household wealth, which in isolation pushes down consumption growth and pushes up the saving ratio. A simple model-based calculation with the help of Statistics Norway's economic model KVARTS shows that the household sav-

Investment, Mainland Norway Seasonally adjusted volume indices, 2001=100



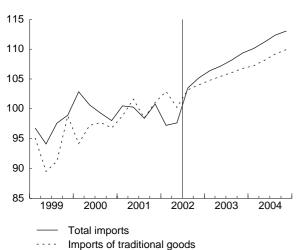
Source: Statistics Norway.

Exports Seasonally adjusted volume indices, 2001=100



Source: Statistics Norway.

Imports
Seasonally adjusted volume indices, 2001=100



Source: Statistics Norway.

ing ratio in 2002 would have been four tenths of a percentage point lower in 2002 with unchanged equity prices from the first half of 2001. Consumption growth in 2002 would have been almost half a percentage point higher than the level now indicated by our forecasts.

Household real disposable income is projected to expand by a good 4 per cent from 2001 to 2002. This is about one percentage point lower than we estimated in the June report, but at that time the revision of national accounts figures had not been incorporated in the model. Our projections for consumption growth are unchanged from the June report and developments in household consumption so far in 2002 do not indicate that growth will be much higher than 3 per cent.

In 2003, growth in household real income will probably be somewhat lower than in 2002 because price inflation will pick up and because wage growth, according to our estimates, will be slightly lower. In addition, our estimates do not point to strong growth in employment next year, and due to demographic factors the number of disability pensioners will not increase to any extent either. As noted in the section on fiscal policy, we have not assumed a reduction in personal taxes in 2003. The assumption that consumption growth in 2003 will nevertheless be on a par with growth in 2002 reflects the expected fall in nominal interest rates through 2003. In real terms the decline will be stronger due to higher inflation than in 2002. Moreover, house prices are projected to edge up in 2003, while they are expected to rise very little through 2002. Finally, we assume – on a very uncertain basis – that the fall in equity prices will come to a halt. All in all, these factors will contribute to a slight decline in the household saving ratio from 2002 to 2003. These factors are also the main explanation for the further decline in the saving ratio in 2004 and the assumption that consumption growth will be fairly steady in the period ahead.

Housing investment peaked about a year ago and has since fallen slightly. As a result of higher interest rates and a slower rise in prices for existing dwellings, housing starts have also edged down. Strong income growth would normally imply slightly brisker growth in housing investment. Moreover, the effect of the high real interest rate on housing investment in 2002 will wane later in 2003. We therefore project that the fall in housing investment will come to a halt in early 2003 and increase thereafter. On an annual basis, however, housing investment in 2003 may be about the same as in 2002, which is now estimated to be about 3 per cent lower than investment in 2001. In 2004, growth through 2003 and thereafter will contribute to relatively high annual growth.

Contraction is reversed to weak growth in mainland business investment

According to revised national accounts figures, mainland fixed investment, excluding general government, appears to have peaked in 2001. In the first half of the year as a whole, gross investment has not been lower for a six-month period since the first half of 1999. It is primarily sheltered private mainland industries that have contributed to the decline in investment, particularly investment in service industries. Compared with the first half of 2001, however, investment in manufacturing has picked up.

This picture is expected to be reversed later this year. Admittedly, manufacturing investment is expected to remain at a high level in 2003, but slightly lower than in 2002. This is partly related to the partial completion of large plants for the production of metals, a factor that is also expected to contribute to a further fall in 2004. Weaker output and profitability trends in general amplify this picture. On the other hand, investment in mainland enterprises, excluding manufacturing, is projected to increase in 2003 and 2004. All in all, the level of investment in mainland enterprises is only expected to rise marginally in 2003 and 2004.

Moderate growth in domestic demand

Total domestic demand exhibited sluggish growth through 2001. According to seasonally adjusted QNA figures, growth picked up in the first quarter of 2002 as a result of the upswing in total consumption, while a decline in petroleum investment had the opposite effect. Weaker consumption growth in the second quarter, however, contributed to slower mainland demand growth. On an annual basis, growth in mainland demand is now projected at 1.9 per cent, approximately on a par with growth in 2001. Growth is also expected to be at about the same level in 2003, but in 2004 a projected increase in investment and somewhat stronger consumption growth will boost mainland demand growth to 3 per cent. If we also include the projected upswing in petroleum investment, total demand growth will be slightly stronger in 2002, 2003 and 2004, but this overestimates the impulses for Norwegian enterprises due to the higher import content of petroleum investment.

Swift fall in export prices curbs the loss of market shares – in the short term

Following a fall in the previous quarter, QNA figures indicate that seasonally adjusted traditional merchandise exports showed renewed growth from the first to second quarter of 2002. Traditional merchandise exports have fluctuated considerably from quarter to quarter over the past year, but if we look at developments since the first half of 2001 as a whole, the average growth rate has been marginally positive. The increase almost in its entirety reflects higher exports of engineering products (excluding ships and plat-

forms) and refined petroleum products. Most of the other product groups, particularly paper and pulp and industrial chemicals, have made a negative contribution to the export performance, particularly over the last six months.

The negative export trend for most product groups must be seen against the background of sluggish market developments internationally, several years of higher wage growth in Norway compared with other countries and the strong appreciation of the krone over the last two years. Whereas higher wage growth pushes up prices for Norwegian goods, a stronger krone pushes down export prices. The latter effect seems to have been strongest during the past year; with the exception of textiles, clothing and footwear, as well as chemical and mineral products, export prices have fallen markedly in this period. With two exceptions, however, the decline has been weaker than the corresponding fall in prices for imported goods, and therefore probably weaker than the decline in prices on international markets, measured in krone terms. In isolation, this may imply that Norwegian enterprises will lose market shares on export markets. (The exceptions noted above apply to products from primary industries with import prices rising through the period, and pulp and paper where export prices have fallen at a noticeably faster pace than the decline in import prices. Developments in these two groups alone contributed to a somewhat sharper fall in export prices for traditional goods than import prices as a whole.)

Despite the fall in traditional merchandise exports, excluding engineering products and refined petroleum products, the strong deterioration in Norwegian enterprises' competitiveness in recent years has not yet fully translated into lower exports. Calculations based on Statistics Norway's macroeconomic models show substantially stronger negative effects on total production of higher wages and a stronger krone in the long term than in the short term. The delayed feed-through applies in particular to deliveries to the export market where the effect is first offset by a relatively sharp fall in export prices, as we have already seen, particularly in the first half of 2002.

In line with this, it is assumed that Norwegian enterprises will continue to lose substantial shares on export markets in coming years, particularly in 2003. While traditional merchandise exports are expected to expand by 1.6 per cent this year, approximately in line with market growth, growth in exports is expected to remain unchanged in 2003 even though international market growth will rise to nearly 8 per cent. In 2004, however, we project that export growth will pick up, particularly for metals where new production capacity that is now being built will be in full operation. We project that exports of engineering products may also rise by a level close to market growth, based on the

Higher exports of engineering products despite deteriorating competitiveness

Higher exports of engineering products (excluding ships and platforms) over the past year may seem surprising in the light of sluggish market growth and because this is relatively labour-intensive production that should be affected by strong wage growth. QNA figures show that in the same period the sector reduced its export prices considerably measured in krone terms, almost as sharply as the decline in prices for imports of engineering products to Norway. Domestic market prices have also been reduced, but to a lesser extent than export and import prices. In the same period, supplies to the domestic market have declined, while imports have risen. A higher share of Norwegian production is thus now being exported while, at the same time, Norwegian enterprises' market share on the domestic market has fallen.

There are considerable methodological difficulties in determining the rise in prices for engineering products; if the fall in prices for the export and import of these products is overestimated, this will in the calculations result in a similar overestimation of the rise in volume. With this reservation, the shift in the market composition for this product group over the past year can be interpreted as being in line with the long-term trend where a higher degree of specialization shifts production in internationally exposed enterprises to increased exports, while imported products win higher market shares domestically. This effect on exports has thus dominated over the effects of stronger cost inflation for Norwegian enterprises compared with their foreign competitors. The shift to exports resulted in an increase in production in the second half of 2001, but did not prevent production from falling slightly in the first half of 2002 when the loss of domestic market shares was considerably amplified.

Market developments for engineering products Change from previous half-year, seasonally adjusted

Cha	inge in	volume	Change in pric				
20	001-II	2002-l	2001-II	2002-I			
Norwegian production	3.2	-0.3	-1.8	-3.1			
- Exports	7.7	4.1	-2.7	-3.6			
 Domestic supplies 	-2.3	-6.2	-0.4	-1.8			
+ Import	0.9	2.4	-3.9	-4.1			
= Supplies to the							
Norwegian market	-0.3	-0.7	-2.7	-3.4			

assumption that increased specialization will continue to shift production to export markets (see box).

Lower import prices lead to fall in prices on the domestic market for traditional goods

Prices for Norwegian enterprises' deliveries to the domestic market have also fallen over the past year, but at a noticeably slower pace than import prices. Admittedly, the picture was somewhat mixed in the second half of 2001, but the decline in domestic prices in the first half of 2002 was so pronounced for most groups that the price level for virtually all

Market developments for engineering products Change from previous half-year, seasonally adjusted

	Change i	n volume	Change in pri				
	2001-II	2002-I	2001-II	2002-l			
Norwegian production	0.5	-0.6	-2.8	-3.1			
- Exports	-0.6	2.1	-5.6	-4.3			
= Domestic supplies	1.3	-2.5	-0.8	-2.3			
+ Imports	-0.4	1.5	-5.7	-3.7			
= Supplies to the							
Norwegian market	0.5	-0.5	-3.2	-3.0			

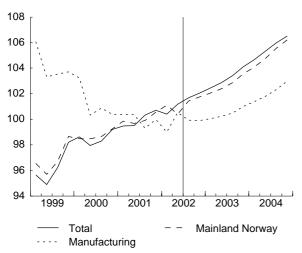
groups was then lower than one year earlier. Combined with falling import prices, this resulted in a pronounced decline in prices for total deliveries to the Norwegian market both in the second half of 2001 and first half of this year. The same applies to prices for total Norwegian production for the export and domestic market.

Despite a smaller decline in domestic prices than in import prices for traditional goods, Norwegian enterprises' market shares on the domestic market seem in general to have remained relatively high over the past year. However, since prices on the domestic market are adjusted downwards to a lesser extent than export prices when international prices measured in krone terms fall, the loss of market shares takes place more swiftly here. However, we assume that the loss of market shares on the domestic market will also continue. If the assumption of a depreciation of the krone along with lower wage growth ahead materializes, which means that some of the deterioration in competitiveness enterprises have experienced in recent years is reversed, the trend reduction of market shares on the domestic market in the period ahead is not expected to accelerate. Growth in traditional merchandise imports is thus projected at around 3 per cent in both 2003 and 2004, slightly higher than growth in domestic demand, but still substantially higher than growth in total manufacturing production. Growth in imports of traditional goods is not expected to be higher because, in the calculations, we have recorded a large part of estimated imports for the Snøhvit field as direct imports for petroleum activities, i.e. not as imports of traditional goods.

GDP growth below trend

Total GDP showed close to zero growth through the winter half of 2001/2002 followed by a higher growth rate in the second quarter. The path was to a substantial extent influenced by oil and gas production; the path for mainland Norway was thus the opposite of that for total GDP. Higher growth in exports of traditional goods in the fourth quarter of 2001, combined with higher domestic demand in the first quarter of 2002, contributed to a pick-up in mainland GDP growth, to about 2 per cent measured at an annual rate through the winter half-year. However, as a result

Gross domestic product Seasonally adjusted volume indices, 2001=100



Source: Statistics Norway.

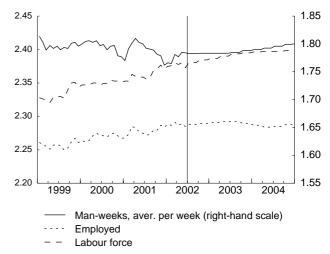
of a lower rate of growth in domestic demand, the growth rate in the second quarter of 2002 is now estimated to have been negative. The contraction primarily related to service industries, with production in commercial services in particular showing a sharp decline. Here, however, the data in the quarterly national accounts are particularly uncertain.

In both 2002 and 2003, both mainland and total GDP growth are now projected at about 11/4 per cent, i.e. on a par with the growth rates for 2001. This is slightly lower than growth in overall demand on export and domestic markets and reflects a loss of market shares for Norwegian enterprises on both markets. The higher growth in both domestic demand and exports in 2004, along with higher oil production, thereafter contributes to a pick-up in production growth to a good 2½ per cent. Both manufacturing and other mainland enterprises will be facing higher demand. Some of the projected rise in production, however, reflects an increase in the number of working days (3 more working days compared with 2003), a factor that boosts production capacity on an annual basis. Adjusted for this, mainland GDP is set to grow more slowly than estimated trend growth in the Norwegian economy in 2002, 2003 and 2004, as has been the case in each year since 1998.

Rising unemployment ahead

Figures from the Directorate of Labour show that at end-July 2002 about 80 000 were registered as unemployed, or 3.2 per cent of the labour force on a seasonally adjusted basis. This is an increase from 2.6 per cent in the same month one year earlier, with a relatively steady rise over the past 12 months. Statistics Norway's Labour Force Survey (LFS), on the other hand, shows approximately unchanged unemployment the past year. Seasonally adjusted LFS figures for June 2002 showed that 88 000 were unemployed,

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



Source: Statistics Norway.

or 3.7 per cent of the labour force, compared with 3.6 per cent unemployment in June 2001. However, measured from the previous trough in unemployment in September 1998, both registered unemployment and LFS unemployment rose by 0.9 percentage point.

The turnaround in the labour market is normally reflected more quickly in the Directorate of Labour's figures on the number of new vacancies than in unemployment. According to the Directorate of Labour, the seasonally adjusted number of vacancies advertised in the media fell from 36 000 in July 2001 to 27 000 in July 2002. In 2000, the average number of vacancies advertised each month came to 50 000. The decline in the number of vacancies is evenly distributed across most occupational groups, but measured from the same time one year earlier the decline has been most pronounced in industrial work and health care, with a fall of 46 and 43 per cent respectively. These groups have also recorded the sharpest decline in absolute terms. Figures from the Norwegian Media Businesses' Association, which maintains that its figures on the number of "vacancy" advertisements have often proved to be a swift and reliable indication of a turnaround in the economy, show the same tendency. In the first half of 2002, "vacancy" advertisements fell by 33.4 per cent in relation to the same period one year earlier.

If we look at both the number of vacancies and unemployment as a whole – as a common measure of the tightness of the labour market – the labour market situation has shown the greatest deterioration for employees in scientific occupations, the humanities and administrative work. The labour market is also considerably less tight now for occupational groups that experienced the strongest labour market pressures in 2001, such as education and the health care sector.

Main economic indicators 2001-2004. Accounts and forecasts

Percentage change from previous year unless otherwise noted

			Forecasts									
	Accounts		2002			2003		20	004			
	2001	SN	MoF	NB	SN	MoF	NB	MoF	NB			
Demand and output												
Consumption in households and non-profit organizations	2,5	2.9	3.5	4 1/4	2.8	3.5	4	3.5	3 1/2			
General government consumption	2.0	2.5	1.5	1 1/2	1.6	0.8	3/4	2.6	2			
Gross fixed investment ¹	-4.6	-0.1	0.5	1/2	2.5	2.6	4	1.6	0			
Extraction and transport via pipelines ²	7.2	3.2	1.0	0	6.3	10.4	15	1.2	-5			
Mainland Norway	-0.3	-1.9	0.0	1/4	0.3	0.4	1	1.8	1 3/4			
Firms	-1.3	-4.0	-1.9	-3	0.5	-0.1	1 1/2	0.7	1 1/4			
Housing	5.1	-2.7	-0.5	4	-0.2	4.7	2 3/4	5.9	2 1/4			
General government	-4.3	5.2	6.7	6 3/4	0.2	-2.1	-2	-0.5	2			
Demand from Mainland Norway ³	1.8	1.9	2.4	3	2.0	2.3	2 3/4	3	3			
Stockbuilding ⁴	-0.8	-0.3	-0.1		0.0	0.0	2 3/ 1	0				
Exports	4.2	1.0	2.0	1 1/2	2.2	3.1	1 3/4	3.5	1 1/4			
Crude oil and natural gas	5.2	2.9	2.9	3	2.2	2,4	2 1/2	4	3/4			
Traditional goods	4.0	1.6	1.6	0	1.6	3.9	1	4.9	1			
Imports	0.0	1.8	2.7	3	4.9	3.8	4 1/2	4.2	2			
Traditional goods	4.0	2.4	3.2	3	3.0	4.4	4 1/2	3.2	2			
	1.4	1.3	2.0	2 1/4	1.5	2.5	2 1/4	2.6	2 1/4			
Gross domestic product												
Mainland Norway	1.2	1.2	1.8	2	1.3	2.2	2 1/4	2.7	2 1/2			
Labour market												
Employed persons	0.5	0.1	0.6	1/2	0.3	0.5	1/4	-0.4	1/2			
Unemployment rate (level)	3.6	3.9	3.6	3 3/4	4.2	3.5	4	4.8	4			
Prices and wages												
Wages per standard man-year	5.0	5.2	5 1/4	5 3/4	4.6		5 3/4	4.4	5 3/4			
Consumer price index (CPI)	3.0	1.2	1,4	1	2.1		2 1/4	2	2 3/4			
CPI adjusted for tax changes and excluding												
energy products (CPI-ATE)	2.6	2.4		2 1/4	2.1		2 1/4	2.1	2 3/4			
Export prices, traditional goods	-3.1	-8.9		-8 1/2	1.6		-2 1/2	2.5	2 1/2			
Import prices, traditional goods	0.4	-6.8			0.0			2.4				
Housing prices	7.2	2.3		7 1/2	5.3		5 1/2	9.4	5 1/2			
Balance of payment												
Current balance (bill. NOK)	233.4	221.3	188.6	190	215.4	179.7	165	224.2	140			
Current balance (per cent of GDP)	15.4	14.6		12	13.8		11	13.6	9			
Memorandum items:												
Household saving ratio (level)	4.6	6.1	8,6	5	5.8	8.1	5	6.1	5			
Money market rate (level) ⁵	7.2	7.0	6,8		6.9	6.9		6.7				
Lending rate, banks (level) ⁶	7.2 8.8	7.0 8.6	•					6.7 8.3				
			200		8.4	 102 0						
Crude oil price NOK (level) ⁷	220.1	195.5	200		195.3	182.0		197.5				
Export markets indicator	0.3	1.9		 C. E.	7.6	••		7.1				
Importweighted krone exchange rate (44 countries) ^{5,8}	-3.1	-7.5		-6.5	-0.5	**	-1.1	1.7	0			

¹ Forecasts from Norges Bank are including stockbuilding.

As a result of higher wage growth than among our trading partners, a strong krone exchange rate and high interest rates, unemployment will continue to rise through 2003 and 2004. Manufacturing industry's cost competitiveness has been eroded because the rise in hourly labour costs has on average been 2.1 percentage points higher than among our trading partners in the period 1997-2001. This has particularly affected manufacturing enterprises where labour costs

account for a fairly high share of total costs, such as in the production of engineering products and in the production of intermediate goods and capital goods. Employment in these two industries accounts for as much as 57 per cent of total manufacturing employment.

At the same time, the earnings base of manufacturing enterprises has deteriorated sharply because the im-

² Forecasts from Ministry of Finance and Norges Bank are including 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.

 $^{^{\}rm 6}$ 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 (MoF), Norges Bank, Inflasjonsrapport 3/2002 (NB).

Continued solidarity in wage settlements

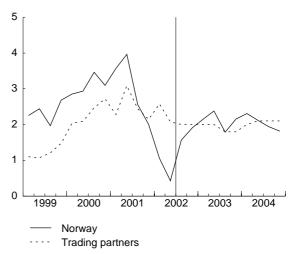
No formal changes of significance have taken place in wage determination that would imply a departure from how wage determination has functioned historically. The settlement sequence and formal institutions are the same as they were earlier. However, other changes have taken place that may have contributed to giving some trade unions increased bargaining power in recent years. In addition, for a longer period there has been an increasing barrier to the use of compulsory arbitration. New amalgamations of unions have also been established in recent years, such as the Federation of Norwegian Professional Associations and the Confederation of Higher Education Unions. Most of these unions' members have a higher education and work in traditional sheltered industries. Some of the unions with this type of member have advocated a greater degree of local negotiations in line with employers' stated objectives. The experience of other countries may indicate that total wage growth will be higher if a higher portion of wage growth is determined locally.

Another aspect that must be evaluated when considering the possibilities for a continuation of the Norwegian system for wage determination is to what extent manufacturing in the future can remain a wage leader. The settlement in 2002 may indicate that employees in the public sector did not to any extent follow the norm set by manufacturing that year. Through the discussions in the Holden Commission in 2000 and the Stabel Commission in 2001, however, it became evident that a precondition for a continuation of incomes policy cooperation and the Norwegian model for wage determination was that the trend through the 1990s, with lower wage growth in the public sector than in manufacturing, had to be broken. These groups had gained acceptance for their demand that in the future they should be ensured a rise in pay that was on a par with that of the private sector. The Technical Reporting Committee on Income Settlements estimates that wage growth from 1991 to 2001 was 3.4 per cent lower in the public sector compared with member companies in the Confederation of Norwegian Business and Industry. For central government employees with a higher education, pay increases were even less favourable than for employees with a higher education in private companies. Moreover, the settlement for public sector employees, and especially for local government employees, resulted in small pay increases in 2001. There seems to be agreement that the settlement in 2002 had to compensate for this. In other words, it does not appear that the high pay increases for public sector employees in 2002 were due to a separation of wage determination in these sectors from the settlement in manufacturing, but rather an indication of a greater degree of coordination between the parties. The settlement in 2002 and the parties' understanding of the need to prevent systematic pay lags for some groups may pave the way for stronger incomes policy cooperation in the next main settlement in 2004.

port-weighted krone exchange rate has appreciated by about 15 per cent since mid-2000. In addition to further exacerbating the situation for labour-intensive manufacturing, export firms with relatively few employees are also being adversely affected. These firms

Consumer price indices

Percentage growth from the same quarter previous year



Sources: Statistics Norway and Norges Bank.

have little labour to give to expanding service industries, but nevertheless account for a substantial share of total exports from the mainland economy.

As a result of the problems facing Norwegian manufacturing and the spillover effects through sub-suppliers, along with the fact that high interest rates are curbing growth in private consumption and housing investment, unemployment, as measured by Statistics Norway's Labour Force Survey, is now projected to rise to 4.2 per cent as an average for next year, moving up to 4.8 per cent in 2004, compared with 3.9 per cent this year.

It is particularly manufacturing employment that is declining. The number of employees in private services will probably show little change in coming years. In isolation, rising unemployment will reduce labour force participation; in 2002, the trend since the beginning of the 1990s, with increasing participation rates, will thus be broken. Demographic factors imply, however, that growth in the labour force will continue, albeit at a weaker pace than in earlier years.

Wage growth lower than among trading partners

Even though the labour market appears to be less tight than in a very long time, the pay increases awarded in the wage settlement in 2002 were high, particularly in the public sector. This may indicate a departure from the long-standing tradition of wage moderation during periods of contraction and with manufacturing as wage leader for ensuring wage growth on a par with that of our trading partners. We have assumed, however, that the wage settlement in 2002 was unusual and that the labour market organizations will resume this tradition in the future.

It is only during downturns with high unemployment that the system for wage determination has ensured

wage growth below that of our trading partners. Whereas wage growth in Norwegian manufacturing was well below that of our trading partners from 1989 to 1994, a period when LFS unemployment was more than 4 per cent, the rise in labour costs was substantially higher than among trading partners in the years 1982-1988 and 1997-2000, when unemployment was less than 4 per cent. It is therefore likely that the high wage growth recorded since 1997 is in accord with how Norwegian wage determination functions during periods of expansion. An increase in unemployment in line with our projections will, in the same way, probably have a dampening effect on wage growth in the period ahead. The figures reported from local negotiations for groups covered by the Federation of Norwegian Manufacturing Industries, which were conducted after the centralized settlements were completed, indicate that wage drift may be edging down. Moreover, the pay increases also appear to have been lower the later in the year these negotiations have taken place.

For the economy as a whole, wage growth is projected at 5.2 per cent from 2001 to 2002, which implies lower wage drift than has been observed in recent years. It is assumed that rising unemployment and the problems facing Norwegian manufacturing will bring total wage growth down in 2003 and 2004 to 4.6 and 4.4 per cent respectively. The high carry-over into 2003 may result in low pay increases, and thereby a low carry-over into 2004. On the other hand, the wage settlement in 2004 will be a main settlement, which traditionally has resulted in higher pay increases.

Strong krone and lower wage growth will result in moderate inflation ahead

Changes in indirect taxes and movements in the electricity price have contributed to considerable changes in the rate of inflation over the past few years. The year-on-year rise in the consumer price index (CPI) was thus as high as 4.3 per cent in May 2001, but down to only 0.4 per cent in May and June 2002 before rising to 1.6 per cent in July. Recent developments largely reflect the direct effect of changes in indirect taxes on 1 July last year. When energy products and the direct effects of real tax changes (CPI-ATE) are excluded, the rate of inflation has remained fairly stable at about, or slightly higher than, 2.5 per cent over the two years for which statistics are available.

In July, there were considerable differences in year-on-year price increases across the main groups in the consumer price index. For five of the groups, the rate of increase was below 1.5 per cent and for two of these the price *level* was lower than it was 12 months earlier. Three of the groups showed a rise in prices of more than 3.5 per cent, so that only five of the twelve groups recorded a rise in prices in the interval 1.5 to 3.5 per cent. Higher house rents have made the

largest single contribution to the increase in consumer prices in the past 12 months. Estimated and paid house rents have risen by 6.0 and 5.2 per cent respectively. Food, insurance premiums, restaurant services, prices for services related to maintenance and repairs of dwellings as well as various health services have also pushed up the average considerably. Clothing and footwear are at the other end of the scale where prices fell by as much as 5.8 per cent from July 2001 to July 2002. The appreciation of the krone may have played a role here.

By excluding energy products and disregarding indirect tax changes, price developments will largely be determined by developments in fundamental factors, such as unit labour costs, exchange rates and prices on the world market. In the past few years, the rise in unit labour costs in the mainland-based business sector (excluding electricity) has been very stable at about 3.5 per cent. The fact that inflation at the same time has been clearly lower, about 2.5 per cent, is partly related to the generally very moderate rise in import prices and, more recently, the relatively pronounced decline. This is not peculiar to Norway, but is largely an indication that prices for services have generally risen more than prices for goods. However, there are also a number of other factors that influence inflation. Higher interest rates contribute for example (when we disregard the effects on the krone exchange rate) to higher prices in the short and medium term, particularly through changes in house rents, which have recently generated the strongest impetus to the CPI. Another factor that influences inflation is payments made by insurance companies. These costs are quickly passed on to premiums. The recent increase in the volume of damages claims has thus contributed to a higher rise in the consumer price index.

The strong appreciation of the krone has provided a potential for a substantial decline in Norwegian consumer prices. Imports are equivalent to a third of GDP and are estimated to account for a similar share of household consumption. In addition to having an effect through reduced import prices, the exchange rate has the effect of reducing prices for Norwegian-produced goods which to a greater or lesser extent shadow prices on the world market. According to our models, the short-term effect should be stronger than we have observed so far. Several factors indicate a substantial delay of these effects. A delay in the feedthrough from the exchange rate to import prices is one such factor, but the sharp fall in import prices so far in 2002 indicates that this is not so important. On the other hand, it is likely that margins in retail trade have increased in the short term to a greater extent than indicated by our models. Other factors may be the costs of hedging importers' contracts against exchange rate changes. To the extent the krone appreciation has not fully translated into reduced domestic prices, it is likely that this will occur in the period

ahead provided it is not countered by a depreciation of the krone. In the very long term, it must be expected that an exchange rate change will fully feed through to all factor input prices, including labour. This will, however, take a long time, and a strong krone may thereby have a dampening effect on inflation for a long period.

The increase in the number of vacation days in 2001 and 2002 has been an important reason why cost inflation has remained at a high level these years. In the period ahead, the rise in unit labour costs is expected to slow somewhat. In spite of the assumption of a moderate depreciation of the krone, the appreciation we have seen is expected to contribute to a slower rise in prices for some time in the future. Increased competitiveness in the aviation industry may point to the same. Electricity prices are expected to push up the year-on-year rise in the CPI towards the end of this year as a result of the very abnormal price movements through 2001. Based on prices in the futures market, electricity prices are not expected to generate a strong inflationary impetus in coming years. However, this can naturally change quickly as a result of weather conditions.

After showing some increase through the remainder of the year, inflation is projected to be relatively stable at around 2.0 per cent through 2003. The delayed effects of the krone appreciation will push down price inflation for a period, while the projected moderate depreciation of the krone will have the opposite effect. Lower growth in labour costs will, in isolation. contribute to reducing the rate of inflation. The direct, short-term effect of the projected decline in interest rates also points to the same to some extent. In 2004, the krone appreciation we have seen will be more remote which, combined with the subsequent depreciation, points to higher inflation. A further slowing of the rise in labour costs and the reduction in day-care rates imply that the rise in the consumer price index - also measured by CPI-ATE - may be approximately the same as in the previous year.

The current account - stable, large surpluses

The current account surplus came to NOK 115 billion in the first half of 2002. Both export and import prices fell sharply from 2001 to 2002, primarily as a result of the krone appreciation, although it is estimated that the decline in export prices was stronger than the fall in import prices. This is normal for the Norwegian economy during an international downturn. In the first eight months of 2002, the oil price was about 11 per cent lower than in the same period in 2001. Higher production of natural gas will contribute to boosting export earnings, but lower crude oil production will contribute to a lower surplus on the balance of goods and services. At the same time, the interest and transfers balance has so far this year been substantially smaller than in the same period in 2001. All in all,

we estimate that the current account surplus in 2002 will be slightly lower than last year.

In 2003, an estimated further terms-of-trade loss is projected to reduce the current account surplus. Somewhat stronger growth in the volume of imports compared with export volumes points to the same. The interest and transfers balance, on the other hand, is expected to improve further in step with the rise in net foreign assets. All in all, the current account surplus is estimated at NOK 215 billion next year. As a result of stronger export growth in 2004 along with a further improvement in the interest and transfers balance, the current account surplus is projected to show a small increase again in 2004, which means that the surplus will fluctuate around NOK 220 billion each year throughout the forecast period.

National accounts: Final expenditure and gross domestic product At fixed 1999 prices. Million kroner

	Una	djusted	Seasonally adjusted								
	200	2001	00.3	00.4	01.1	01.2	01.3	01.4	02.1	02.2	
Final consumption exp. of housh. and NPISHs	604 894	619 828	151 305	151 067	153 967	154 512	155 569	155 627	157 646	158 619	
Household final consumption expenditure	579 806	594 720	145 093	144 797	147 595	148 194	149 273	149 499	151 206	152 300	
Goods	323 787	331 261	80 535	80 396	82 378	82 082	82 271	84 401	85 422	85 234	
Services	247 270	254 712	62 476	61 954	62 809	63 813	64 723	63 394	63 921	64 603	
Direct purchases abroad by resident househ.	26 089	26 065	6 527	6 520	6 658	6 561	6 656	6 107	6 018	6 888	
Direct purchases by non-residents	-17 340	-17 317	-4 445	-4 074	-4 250	-4 262	-4 377	-4 403	-4 155	-4 426	
Final consumption exp. of NPISHs	25 088	25 108	6 211	6 271	6 371	6 318	6 296	6 128	6 440	6 319	
Final consump. exp. of general government		272 176	66 688	66 792	67 614	67 917	68 053	68 608	69 511	70 182	
Final consump. exp. of central government	105 948	107 664	26 338	26 376	26 950	26 872	26 759	27 089	37 125	37 334	
Central government, civilian	81 256	83 875	20 216	20 304	20 948	20 949	20 891	21 098	31 222	31 312	
Central government, defence	24 692	23 789	6 122	6 072	6 002	5 923	5 868	5 991	5 903	6 022	
Final consump. exp. of local government	160 829	164 513	40 350	40 416	40 664	41 045	41 294	41 519	32 386	32 848	
Gross fixed capital formation	267 774		62 864	61 987	65 134	62 358	60 386	61 830	59 660	61 054	
Extraction and transport via pipelines	47 929	51 362	10 511	9 905	10 642	10 054	11 383	13 539	10 995	10 603	
Service activities incidential to extraction	6 573	-897	476	470	253	1 034	295	-2 479	94	177	
Ocean transport	16 298	8 672	3 226	1 917	4 112	1 283	679	2 597	611	2 458	
Mainland Norway	196 974	196 390	48 650	49 695	50 127	49 986	48 029	48 174	47 960	47 816	
Mainland Norway ex. general government	158 114	159 189	38 998	39 864	40 330	40 993	38 927	38 790	38 130	38 297	
Manufacturing and mining	19 620	22 457	5 026	4 535	4 912	5 708	5 732	5 979	5 450	6 286	
Production of other goods	15 832	15 601	3 882	3 727	3 954	3 716	3 915	3 904	3 791	4 059	
Dwellings	47 830	50 288	11 892	12 224	12 322	12 572	12 697	12 677	12 349	12 310	
Other services	74 832	70 842	18 199	19 378	19 142	18 997	16 582	16 229	16 540	15 641	
General government	38 860	37 201	9 652	9 831	9 797	8 993	9 102	9 384	9 830	9 519	
Changes in stocks and stat. discrepancies	29 300	18 583	10 352	8 956	5 405	9 006	6 287	4 488	6 937	1 212	
Gross capital formation	297 074	274 110	73 215	70 943	70 539	71 364	66 674	66 319	66 597	62 266	
Final domestic use of goods and services	1168745	1166114	291 207	288 802	292 120	293 793	290 296	290 553	293 753	291 067	
Final demand from Mainland Norway	1068645	1088395	266 642	267 554	271 707	272 416	271 651	272 408	275 117	276 617	
Final demand from general government	305 637	309 377	76 339	76 623	77 411	76 910	77 155	77 991	79 341	79 701	
Total exports	500 366	521 299			128 713	126 952		134 528	126 775	132 394	
Traditional goods	188 774	196 328	47 079	47 897	49 171	49 312	47 377	50 473	49 306	50 642	
Crude oil and natural gas	169 668	178 502	42 795	42 782	44 043	42 029	46 463	45 959	42 353	47 210	
Ships and oil platforms	8 892	14 178	3 068	2 892	2 399	2 864	3 867	5 049	3 026	1 665	
Services	133 032	132 291	31 628	35 114	33 100	32 747	33 455	33 047	32 090	32 877	
Total use of goods and services	1669111	1687413	415 777	417 487	420 833	420 745	421 458	425 081	420 529	423 461	
Total imports			100 808	99 598	102 089	101 861	99 981		98 775	99 225	
Traditional goods		271 200	66 218	65 589	67 000	68 876	66 715	68 509	69 734	67 922	
Crude oil	1 009	1 034	409	408	233	224	194	382	103	132	
Ships and oil platforms	22 592	12 112	4 566	2 384	3 907	1 753	2 928	3 524	668	1 409	
Services	122 045	122 188	29 615	31 217	30 949	31 008	30 143	29 990	28 270	29 762	
Gross domestic product									321 754		
Mainland Norway (market prices)	1055393	1068415	263 738	265 359	266 934	266 502	267 057	268 829	270 300	268 437	
Petroleum activities and ocean transport		212 464	51 231	52 530	51 810	52 383	54 420	53 847	51 454	55 799	
Mainland Norway (basic prices)									235 890		
Mainland Norway ex. general government									184 023		
Manufacturing and mining		132 701	33 460	33 293	33 289	33 278	32 932	33 159	32 835	33 341	
Production of other goods	102 805	98 808	25 928	25 071	25 170	24 223	23 891	25 056	24 767	24 854	
Service industries					122 158					124 084	
General government		206 182	50 989	51 206	51 452	51 457	51 597	51 876	51 867	51 946	
Correction items	139 624	138 326	34 649	35 016	34 865	34 793	34 702	34 399	34 410	34 212	

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product At fixed 1999- prices. Percentage volume change from previous period

	Unac	djusted		Seasonally adjusted							
	2000	2001	00.3	00.4	01.1	01.2	01.3	01.4	02.1	02.2	
Final consumption exp. of housh. and NPISHs	3.5	2.5	-0.1	-0.2	1.9	0.4	0.7	0	1.3	0.6	
Household final consumption expenditure	3.6	2.6	-0.1	-0.2	1.9	0.4	0.7	0.2	1.1	0.7	
Goods	3.3	2.3	-0.9	-0.2	2.5	-0.4	0.2	2.6	1.2	-0.2	
Services	3.5	3.0	1.0	-0.8	1.4	1.6	1.4	-2.1	0.8	1.1	
Direct purchases abroad by resident househ.	0.7	-0.1	1.5	-0.1	2.1	-1.4	1.4	-8.2	-1.5	14.5	
Direct purchases by non-residents	-7.6	-0.1	2.1	-8.3	4.3	0.3	2.7	0.6	-5.6	6.5	
Final consumption exp. of NPISHs	1.2	0.1	-0.1	1.0	1.6	-0.8	-0.4	-2.7	5.1	-1.9	
Final consump. exp. of general government	1.2	2	0	0.2	1.2	0.4	0.2	8.0	1.3	1.0	
Final consump. exp. of central government	0.5	1.6	-0.8	0.1	2.2	-0.3	-0.4	1.2	37	0.6	
Central government, civilian	3.2	3.2	-0.5	0.4	3.2	0.0	-0.3	1	48	0.3	
Central government, defence	-7.4	-3.7	-1.8	-0.8	-1.2	-1.3	-0.9	2.1	-1.5	2.0	
Final consump. exp. of local government	1.6	2.3	0.6	0.2	0.6	0.9	0.6	0.5	-22	1.4	
Gross fixed capital formation	-1.5	-4.6	-6.2	-1.4	5.1	-4.3	-3.2	2.4	-3.5	2.3	
Extraction and transport via pipelines	-31.6	7.2	-5.6	-5.8	7.4	-5.5	13.2	18.9	-18.8	-3.6	
Service activities incidential to extraction											
Ocean transport	23.8	-46.8	-43.2	-40.6	114.5	-68.8	-47.1	282.2	-76.5	302.3	
Mainland Norway	3.4	-0.3	-2.2	2.1	0.9	-0.3	-3.9	0.3	-0.4	-0.3	
Mainland Norway ex. general government	6.7	0.7	-1.9	2.2	1.2	1.6	-5	-0.4	-1.7	0.4	
Manufacturing and mining	-3.4	14.5	-7.8	-9.8	8.3	16.2	0.4	4.3	-8.9	15.3	
Production of other goods	1.0	-1.5	-6.8	-4.0	6.1	-6.0	5.4	-0.3	-2.9	7.1	
Dwellings	11	5.1	1.4	2.8	0.8	2.0	1.0	-0.2	-2.6	-0.3	
Other services	8.3	-5.3	-1.1	6.5	-1.2	-0.8	-12.7	-2.1	1.9	-5.4	
General government	-8.1	-4.3	-3.4	1.9	-0.3	-8.2	1.2	3.1	4.8	-3.2	
Changes in stocks and stat. discrepancies Gross capital formation	41.3 1.5	-36.6 -7.7	18.3 -3.4	-13.5 -3.1	-39.6 -0.6	66.6 1.2	-30.2 -6.6	-28.6 -0.5	54.6 0.4	-82.5 -6.5	
Final domestic use of goods and services	2.5	-0.2	-0.9	-0.8	1.1	0.6	-1.2	0.1	1.1	-0.9	
Final demand from Mainland Norway	2.9	1.8	-0.4	0.3	1.6	0.3	-0.3	0.3	1	0.5	
Final demand from general government	-0.1	1.2	-0.4	0.4	1.0	-0.6	0.3	1.1	1.7	0.5	
Total exports	2.9	4.2	1.9	3.3	0	-1.4	3.3	2.6	-5.8	4.4	
Traditional goods	1.7	4	0.5	1.7	2.7	0.3	-3.9	6.5	-2.3	2.7	
Crude oil and natural gas	6.6	5.2	3.4	0	2.9	-4.6	10.5	-1.1	-7.8	11.5	
Ships and oil platforms	-38.9	59.4	95	-5.7	-17.1	19.4	35	30.6	-40.1	-45	
Services	4.9	-0.6	-2.3	11	-5.7	-1.1	2.2	-1.2	-2.9	2.5	
Total use of goods and services	2.6	1.1	-0.1	0.4	0.8	0	0.2	0.9	-1.1	0.7	
Total imports	3.2	0	-1.4	-1.2	2.5	-0.2	-1.8	2.4	-3.5	0.5	
Traditional goods	2.6	4	0.5	-0.9	2.2	2.8	-3.1	2.7	1.8	-2.6	
Crude oil	-51.4	2.5	702	-0.2	-42.8	-3.8	-13.7	97.4	-73.1	28.3	
Ships and oil platforms	13	-46.4	-23.2	-47.8	63.9	-55.1	67.1	20.4	-81	110.8	
Services	3.9	0.1	-2.5	5.4	-0.9	0.2	-2.8	-0.5	-5.7	5.3	
Gross domestic product	2.4	1.4	0.4	0.9	0.3	0	0.8	0.4	-0.3	0.8	
Mainland Norway (market prices)	1.9	1.2	0.2	0.6	0.6	-0.2	0.2	0.7	0.5	-0.7	
Petroleum activities and ocean transport	4.9	2.5	1.3	2.5	-1.4	1.1	3.9	-1.1	-4.4	8.4	
Mainland Norway (basic prices)	2.0	1.6	0.4	0.5	0.7	-0.2	0.3	0.9	0.6	-0.7	
Mainland Norway ex. general government	2.4	1.7	0.5	0.6	0.8	-0.2	0.3	1	0.8	-0.9	
Manufacturing and mining	-2.9	-1.1	0.6	-0.5	0	0	-1	0.7	-1	1.5	
Production of other goods	5.0	-3.9	-1	-3.3	0.4	-3.8	-1.4	4.9	-1.2	0.4	
Service industries	3.5	3.7	0.7	1.7	1.1	0.5	1	0.3	1.7	-1.8	
General government	0.5	1.1	0.3	0.4	0.5	0	0.3	0.5	0	0.2	
Correction items	1.4	-0.9	-1.5	1.1	-0.4	-0.2	-0.3	-0.9	0	-0.6	

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product

Seasonally adjusted. Price indices. 1999=100

	Unadj	usted	Seasonally adjusted				djusted			
	2000	2001	00.3	00.4	01.1	01.2	01.3	01.4	02.1	02.2
Final consumption exp. of households and NPISHs	103.3	105.1	104.2	105.2	104.7	105.8	104.8	105.6	105.5	105.3
Final consumption exp. of general government	105.0	112.5	105.9	107.9	110.1	111.6	113.1	115.5	113.9	115.7
Gross fixed capital formation	105.9	109.6	107.0	107.8	109.9	110.5	110.0	107.7	108.7	107.4
Mainland Norway	104.4	107.6	105.1	105.4	108.6	108.0	107.7	106.2	107.7	106.5
Final domestic use of goods and services	104.3	107.5	104.5	105.9	107.2	108.1	106.2	108.9	107.9	108.4
Final demand from Mainland Norway	103.9	107.4	104.8	105.9	106.8	107.7	107.4	108.2	108.0	108.1
Total exports	137.2	134.1	141.4	145.7	141.9	142.0	133.0	120.7	125.7	126.2
Traditional goods	113.5	110.0	115.0	117.1	113.0	113.0	108.1	105.2	103.3	100.9
Total use of goods and services	114.1	115.7	115.6	118.2	117.8	118.3	114.6	112.6	113.3	113.9
Total imports	108.2	108.7	109.3	111.2	112.2	110,2	107.0	105.8	104.2	102.4
Traditional goods	104.8	105.2	105.0	106.9	109.5	107.0	103.2	101.7	99.2	97.8
Gross domestic product	116.0	118.0	117.6	120.4	119.6	120.9	116.9	114.8	116.1	117.5
Mainland Norway (market prices)	104.4	107.8	104.8	106.0	106.7	108.2	107.0	109.5	108.7	110.4

Source: Statistics Norway.

National accounts: Final expenditure and gross domestic product

Seasonally adjusted. Price indices. Percentage volume change from previous period

	Unac	justed Seasonally			Seasonally adjusted					
	2000	2001	00.3	00.4	01.1	01.2	01.3	01.4	02.1	02.2
Final consumption exp. of households and NPISHs	3.3	1.8	1.2	1.0	-0.5	1.1	-0.9	0.8	-0.1	-0.2
Final consumption exp. of general government	5.0	7.1	1.4	1.9	2.0	1.4	1.3	2.1	-1.3	1.5
Gross fixed capital formation	5.9	3.5	1.6	0.7	1.9	0.6	-0.4	-2.1	1.0	-1.2
Mainland Norway	4.4	3.1	0.8	0.3	3.1	-0.5	-0.4	-1.4	1.4	-1.1
Final domestic use of goods and services	4.3	3.1	0.2	1.3	1.2	0.9	-1.7	2.5	-0.9	0.4
Final demand from Mainland Norway	3.9	3.4	1.2	1.1	0.8	0.8	-0.3	0.8	-0.2	0.1
Total exports	37.2	-2.3	5.7	3.0	-2.6	0.1	-6.4	-9.3	4.1	0.4
Traditional goods	13.5	-3.1	0.3	1.8	-3.5	0.0	-4.3	-2.7	-1.8	-2.4
Total use of goods and services	14.1	1.4	2.3	2.2	-0.3	0.5	-3.2	-1.7	0.6	0.6
Total imports	8.2	0.4	1.1	1.7	0.9	-1.8	-2.9	-1.1	-1.5	-1.7
Traditional goods	4.8	0.4	1.0	1.8	2.4	-2.3	-3.6	-1.4	-2.5	-1.4
Gross domestic product	16.0	1.7	2.6	2.4	-0.6	1.1	-3.3	-1.8	1.1	1.2
Mainland Norway (market prices)	4.4	3.3	0.0	1.1	0.7	1.3	-1.1	2.3	-0.7	1.6

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 1999 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 1999 as the base year (common year of recalculation). The recalculation of prices is carried out at the sectoral level of the quarterly national accounts.