TALL SOM FORTELLER

Statistisk sentralbyrå
Statistics Norway

Economic Survey

2020/ 2

Economic developments in Norway

Contents

Box

Table

Questions about economic trends
– in Norway: Thomas von Brasch, thomas.vonbrasch@ssb.no, tel. (+47) 93 89 85 24
– international: Roger Hammersland, roger.hammersland@ssb.no, tel. (+47) 47 29 32 89

Editing was finalised on Wednesday 9 September 2020
Published 11 September 2020

Explanation of symbols	Symbol
Data not available	..
Not for publication	:
Zero	0

Economic developments in Norway

The recovery of the Norwegian economy continues after the sharpest contraction in recent times. As a consequence of the outbreak of the coronavirus in Norway and subsequent lockdown of many activities, mainland GDP was around 11 per cent lower in April than in February, according to monthly national accounts. Activity picked up markedly in May, June and July, and roughly half the fall from February to April was recouped in July. We have allowed for possible local outbreaks of infection in our projections, but assumed that any such outbreaks will be of limited extent. We have therefore assumed that a repeat lockdown of large sections of economic activity in Norway will not be necessary. Given this backdrop, the recovery of the Norwegian economy will continue, but the after-effects of the infection control measures and the decline in the global economy will probably result in the Norwegian economy remaining in a cyclical downturn for several

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

	2018	2019	Seasonally adjusted			
			19:3	19:4	20:1	20:2
Demand and output						
Consumption in households etc.	1.9	1.5	0.3	-0.2	-4.3	-10.8
General government consumption	1.4	1.7	0.6	0.7	-0.2	-2.2
Gross fixed investment	2.8	6.1	2.5	0.0	-5.1	-3.4
Extraction and transport via pipelines	1.9	12.8	1.2	5.3	-5.2	-6.6
Mainland Norway	3.0	4.3	2.7	-1.5	-5.5	-1.5
Final domestic demand from Mainland Norway[1]	2.0	2.2	0.9	-0.3	-3.5	-6.3
Exports	-0.2	1.5	-1.5	5.5	-0.9	-8.7
Traditional goods	2.0	4.9	-0.1	1.4	-2.8	-8.4
Crude oil and natural gas	-4.8	-4.3	-4.5	16.7	-2.1	0.5
Imports	1.9	5.2	-0.2	-0.5	-4.1	-16.7
Traditional goods	3.2	5.7	-1.7	-1.5	-1.1	-7.9
Gross domestic product	1.3	1.2	-0.0	1.5	-1.7	-5.1
Mainland Norway	2.2	2.3	0.6	0.1	-2.2	-6.3
Labour market						
Total hours worked. Mainland Norway	1.8	1.8	0.3	-0.0	-2.3	-4.2
Employed persons	1.6	1.6	0.1	0.0	-0.1	-1.3
Labour force[2]	1.4	1.0	1.5	-0.1	0.1	-0.8
Unemployment rate. level[2]	3.8	3.7	3.7	3.9	3.5	4.6
Prices and wages						
Annual earings	2.8	3.5	..	..	..	..
Consumer price index (CPI)[3]	2.7	2.2	0.3	0.4	0.1	0.4
CPI adjusted for tax changes and excluding energy products (CPI-ATE)[3]	1.6	2.2	0.5	0.4	0.9	1.1
Export prices. traditional goods	5.9	0.3	-0.8	2.1	0.7	-4.7
Import prices. traditional goods	4.5	2.5	0.5	1.1	0.1	4.2
Balance of payment						
Current balance. bill. NOK[4]	252	145	27	25	63	20
Memorandum items (unadjusted level)						
Money market rate (3 month NIBOR)	0.6	1.1	1.3	1.5	1.3	0.1
Lending rate. credit loans[5]	0.7	0.8	3.1	3.3	3.3	2.7
Crude oil price NOK[6]	583	564	549	568	484	336
Importweighted krone exchange rate. 44 countries. 1995=100	104.6	107.6	107.3	110.4	114.1	118.5
NOK per euro	9.60	9.85	9.85	10.09	10.47	11.01

[1] Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.
[2] According to Statistics Norway›s labour force survey (LFS).
[3] Percentage change from the same period the previous year.
[4] Current account not adjusted for saving in pension funds.
[5] Period averages.
[6] Average spot price. Brent Blend.
Source: Statistics Norway and Norges Bank.

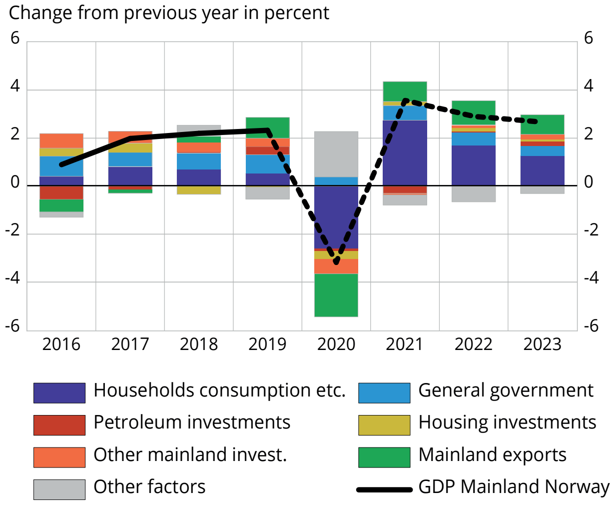
years. However, future developments are shrouded in uncertainty, and a new wave of infection could place a further damper on economic activity.

Household consumption has begun to pick up. The infection control measures in March led to an immediate, sharp fall in household consumption of goods and services. The service industries were particularly hard hit by the infection control measures, and households have subsequently shown a clear shift towards increased goods consumption. The fall in goods consumption in March had been recouped in May already, and goods consumption in July was a full 9 per cent higher than in February. Although service consumption has also picked up somewhat, the level was still 15 per cent lower in July than in February. Further growth in consumption of services is expected going forward. However, overall consumption is only expected to return to the level prior to the impact of the corona crisis on the Norwegian economy towards the end of 2021. With prospects of higher real disposable income, consumption will increase by around 4 per cent as an annual average in 2022 and 2023.

The central bank zero interest rate has given impetus to the housing market. Despite a historic economic downturn, house prices rose 3.3 per cent from March to August. This must be viewed in light of the fact that the key policy rate was reduced from 1.5 per cent in March to 0 per cent in May, and the central bank's signals that the rate will remain at this low level for an extended period. We now forecast that house prices will rise by 3.2 per cent as an annual average this year. The end of the temporary exceptions in the mortgage regulations is likely to curb the rise in house prices going forward. House price movements are largely determined by developments in income, debt, the population, the supply of dwellings and real interest rates. As developments in these fundamentals appear to be pulling in different directions, we assume a moderate rise in house prices through the years 2021 to 2023, but there is great uncertainty associated with the house price projection.

The steepest fall in business investment appears to be behind us. Weak growth prospects and great

Figure 1. Contributions to growth in GDP Mainland Norway, import adjusted



Source: Statistics Norway

The demand contributions are calculated by finding the change in each variable, extracting the direct and indirect import shares, and then dividing by the mainland GDP level for the previous period. The import shares used are documented in Economic Survey 1/2019, Box 3. All figures are seasonally adjusted and in constant prices.

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

Other factors are defined as changes in stock and statistical deviations.

Source: Statistics Norway.

uncertainty have caused many enterprises to cut their future investment plans. This applies first and foremost to manufacturing, but service industries also report reduced investment for 2021. We forecast that business investment as an annual average will fall by around 10 per cent this year. Projections for the years 2021 to 2023 show growth gradually rising to around 3 per cent in 2023. Should this scenario be realised, the investment level will be about 5 per cent lower in 2023 than in 2019.

A substantial decline in petroleum investment appears likely in 2021. Petroleum companies report small nominal changes in their investment plans for the current year, but given a clear rise in investment prices, we nonetheless expect a moderate decline in volume in 2020. Investment is expected to fall by around 10 per

Table 2. Growth in GDP Mainland Norway and contributions from demand components.[1] Percentage points, annual rate

	QNA				Projection			
	2016	2017	2018	2019	2020	2021	2022	2023
GDP Mainland Norway	0.9	2.0	2.2	2.3	-3.2	3.6	2.9	2.7
with contributions from:								
Consumption by households and non-profit organisations	0.4	0.8	0.7	0.5	-2.6	2.7	1.7	1.3
General government consumption and investment	0.8	0.6	0.7	0.8	0.4	0.6	0.5	0.4
Petroleum investment	-0.6	-0.2	0.1	0.3	-0.1	-0.3	0.0	0.2
Housing investment	0.3	0.4	-0.3	-0.0	-0.3	0.2	0.1	0.1
Other mainland investment	0.6	0.5	0.4	0.3	-0.6	-0.1	0.1	0.2
Exports from Mainland Norway[1]	-0.5	-0.1	0.3	0.9	-1.8	0.8	1.0	0.8
Other factors etc.[1]	-0.2	0.0	0.5	-0.5	1.9	-0.4	-0.7	-0.3

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

Table 3. Main economic indicators 2019-2023. Accounts and forecasts. Percentage change from previous year unless otherwise noted

	Rcco-unts 2019	Forecasts										
		2020			2021			2022			2023	
		SN	NB	MoF	SN	NB	MoF	SN	NB	MoF	SN	NB
Demand and output												
Consumption in households etc.	1.5	-7.2	-5.2	-8.5	7.9	6.3	..	4.7	4.3	..	3.5	3.1
General government consumption	1.7	1.5	4.0	3.2	2.1	4.7	..	2.0	1.1	..	1.6	1.1
Gross fixed investment	6.1	-5.7	..	2.7	-1.5	..	..	1.8	..	..	2.9	..
Extraction and transport via pipelines	12.8	-3.1	-4.0	-3.5	-10.1	-10.0	-10.4	1.1	-5.0	..	7.3	5.0
Industries	5.6	-9.8	-14.3	3.4	-1.3	-3.9	2.7	2.4	6.0	..	3.6	4.7
Housing	-0.9	-6.9	-9.4	2.2	3.4	2.2	0.8	3.1	4.8	..	1.7	3.2
General government	7.5	0.0	..	0.3	1.3	..	..	0.4	..	..	-0.1	..
Demand from Mainland Norway[1]	2.2	-4.7	-3.3	2.2	4.6	4.6	2.2	3.4	3.3	..	2.6	2.5
Exports	1.5	-4.1	..	7.3	4.2	..	3.5	5.1	..	..	3.7	..
Traditional goods[2]	4.9	-7.3	-9.1	5.0	4.3	4.6	5.1	6.3	6.5	..	5.0	5.4
Crude oil and natural gas	-4.3	7.4	..	14.0	6.5	..	4.6	3.4	..	..	2.2	..
Imports	5.2	-13.0	-9.1	1.8	4.3	5.5	1.3	5.9	6.3	..	4.4	4.8
Gross domestic product	1.2	-1.9	-1.7	-2.0	3.7	3.8	..	3.0	2.8	..	2.6	2.0
Mainland Norway	2.3	-3.2	-3.5	-4.0	3.6	3.7	..	2.9	2.5	..	2.7	2.0
Labour market												
Employed persons	1.6	-2.0	-1.8	-1.0	0.4	0.1	..	1.4	1.9	..	1.2	1.3
Unemployment rate (level)	3.7	4.9	3.5	5.1	4.5	3.5	..	4.3	3.6	..	4.1	..
Prices and wages												
Annual earnings	3.5	2.0	1.9	1.5	2.3	2.0	..	3.5	2.3	..	3.6	2.8
Consumer price index (CPI)	2.2	1.5	1.6	1.0	2.9	3.3	..	2.1	2.0	..	2.3	1.7
CPI-ATE[3]	2.2	3.1	3.0	2.2	2.2	2.6	2.0	2.1	1.8	..	2.2	1.6
Housing prices[4]	2.5	3.2	3.0	..	3.9	3.3	..	2.7	3.4	..	3.1	..
Balance of payment												
Current balance (bill. NOK)[5]	145	124	..	86	113	..	..	140	..	..	147	..
Current account (per cent of GDP)	4.1	3.6	..	2.6	3.1	..	..	3.6	..	..	3.6	..
Memorandum items:												
Money market rate (level)	6.2	0.7	..	0.9	0.3	..	..	0.6	..	..	1.0	..
Crude oil price NOK (level)[6]	564	395	..	331	388	..	..	415	..	..	434	..
Import weighted krone exchange rate (44 countries)[7]	2.9	6.5	7.9	10.1	-1.5	-1.0	..	0.0	-0.5	..	0.0	-0.7

[1] Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.
[2] Norges Bank forecasts exports of traditional goods and services from Mainland Norway. Ministry of Finance forecasts exports of goods exclusive of oil and natural gas.
[3] CPI adjusted for tax changes and excluding energy products (CPI-ATE).
[4] Norges Bank forecasts the housing price index published by Eiendom Norge.
[5] Current account not adjusted for saving in pension funds.
[6] Average spot price. Brent Blend.
[7] Increasing index implies depreciation. Ministry of Finance forecasts trade-weighted exchange rate.
Source: Statistics Norway (SN). Ministry of Finance. Meld.St.2. (2019-2020) (MoF). Norges Bank. Pengepolitisk rapport 2/2020 (NB).

cent in 2021. The investment areas field development and exploration in particular show a decline from 2020 to 2021. The reduction in field development must be viewed in light of the fact that several development projects are expected to move into a final phase. Whereas demand from mainland-oriented petroleum investment pushed up growth in mainland GDP by 0.3 percentage point in 2019, average petroleum investment now appears likely to reduce growth in mainland GDP by 0.3 percentage point in 2021 (see Table 2). As a result of the package of measures for the petroleum industry, which includes deferred special tax and a higher uplift level, it appears likely that several plans for development and operation will be submitted in 2021 and 2022. This will contribute to a moderate increase in investment in 2022 and strong growth in 2023.

Registered unemployment continues to fall. From 10–31 March, the number of (fully) unemployed registered with the Norwegian Labour and Welfare Organisation (NAV), which includes those furloughed, rose from about 65 000 to around 300 000. Since then numbers have declined, and on 1 September 116 800 were registered as fully unemployed. The improvement in the labour market is expected to continue as economic activity picks up. According to our calculations, unemployment measured by the Labour Force Survey will be around 4.9 per cent in 2020, before gradually falling to around 4 per cent in 2023.

Real wages appear likely to be lower next year. In the deferred income settlement, the Confederation of Norwegian Enterprise (NHO), in agreement with the

Norwegian Confederation of Trade Unions (LO), has estimated that annual wage growth in overall manufacturing under the NHO will be 1.7 per cent in 2020. The impact of the economic crisis has been unevenly distributed. Many of those who have lost their jobs or been furloughed are from low-wage occupations, and the effect of this is to push projected annual wages up somewhat this year (see Box 2). We expect average annual wage growth to be around 2 per cent this year and next. As inflation appears likely to rise next year, real wages will fall. In 2022 and 2023, real wage growth is expected to be just over 1 per cent.

The krone has appreciated in recent months, but remains weak. The strengthening may be related to the facts that the economic situation in Norway looks brighter than it did a few months ago, and that the oil price has risen. In early September the krone weakened slightly, and on 8 September one euro cost NOK 10.7, while the price of a US dollar was NOK 9.1. Our projections are based on unchanged exchange rates through the whole projection period.

Norges Bank reduced the key policy rate from 1.5 per cent to 0 per cent in the period March–May. In addition to lower interest rates, several measures were adopted to reduce loan costs. This has helped to buoy up activity, through new loans to enterprises. The sharp rise in house prices that followed the interest rate cuts will probably help to bring forward the date of the first increase in the interest rate. According to our projections, the policy rate will be raised gradually from mid-2021, ending at 0.75 per cent in 2023. This is still substantially lower than what can be regarded as a normal level, which Norges Bank estimates to lie between 2 and 3 per cent.

Inflation appears likely to stabilise at around 2 per cent after a while. Inflation measured by the CPI is expected to be 1.5 per in the current year. The low energy prices, and expectations that they will remain low through the autumn, point to relatively low inflation. Underlying inflation is expected to be 3.1 per cent 2020. There is extra uncertainty associated with price movements this year because sales of a number of services have been limited. This applies, for example, to a number of cultural and sports arrangements, hairdressing and foreign travel, which has led to price developments for these services being extrapolated. Energy prices appear likely to rise markedly next year. According to our projections, the increase will push up inflation measured by the CPI to 2.9 per cent in 2021. Wage growth is picking up, but because of increased productivity growth and low imported inflationary impulses, both CPI inflation and underlying inflation, measured by the CPI-ATE, are expected to be slightly over 2 per cent in 2022 and 2023.

Fiscal policy has contributed to the short duration of some aspects of the economic contraction. Since June, the Government has introduced a number of fiscal measures over and above those proposed in the Revised National Budget (RNB). These include a green adjustment package, changed furloughing rules, and support for entrepreneurs, study places and inclusion in working life. These changes point to the structural, non-oil deficit being larger than the projection in RNB, which was estimated to be 4.2 per cent of the value of the Government Pension Fund Global (GPFG) at the beginning of the year. At the same time, the costs of the existing packages have proved to be lower than previously assumed. According to the Fiscal Rule, use of petroleum income over time is to constitute 3 per cent of the value of the GPFG, but strong emphasis is also to be placed on smoothing the fluctuations in the economy, to ensure good capacity utilisation and low unemployment. The expansionary policy in 2020 is therefore in accordance with the fiscal rule. We assume that the Fiscal Rule will be adhered to and that petroleum revenue, measured by the structural non-oil budget deficit as a share of the resources in the Fund, will gradually fall to 3 per cent by 2023, in pace with the normalisation of activity in the Norwegian economy.

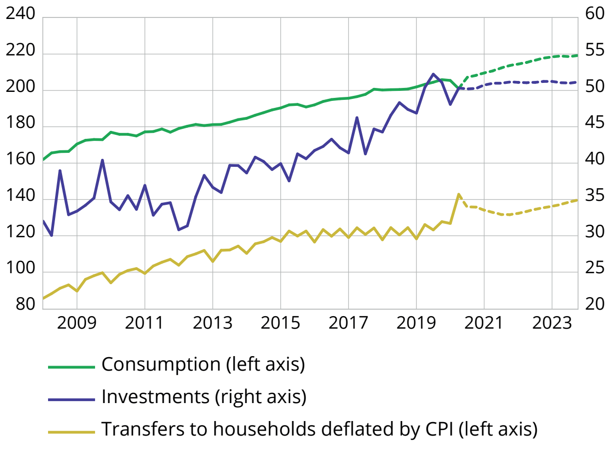
The Norwegian economy is still in a serious situation, but the outlook has improved substantially since June. We have therefore revised up our projections and now forecast that mainland GDP will fall 3.2 per cent in 2020. The revision of the projection is mainly due to new information about economic activities, but also to the fact that the fiscal packages will help to boost economic activity going forward. Infection developments here in Norway will determine economic developments in the period ahead. According to our projections, the mainland economy will rebound by autumn 2021 already to the level of activity prior to the spread of the coronavirus in Norway . This projection is based on the virus largely being contained until then. If the infection level rises again, however, it may again be necessary to introduce infection control measures that will shut down some aspects of economic activity. In the event, the downturn may be deeper and more prolonged than we now envisage.

Fiscal policy on emerging from the crisis

In the original budget for 2020 adopted last year, the use of petroleum revenue, measured by the structural, non-oil government budget deficit, was estimated to be about NOK 244 billion. Since 12 March, tabled bills and budget allocation propositions have led to a substantial rise in public expenditure over the Fiscal Budget. New tax relief schemes, payment deferments and new loan and guarantee schemes have also been introduced.

The macroeconomic analysis in the RNB, submitted on 12 May 2020, estimated that the measures would mean a significant weakening of the budget. The spending of petroleum revenue, measured as the structural, non-oil budget deficit, was estimated in the revised analysis to be NOK 425 billion. More crisis measures were introduced later which further weakened the budget: cash grants for enterprises were continued until the end of

Figure 2. General government
Seasonally adjusted, billion 2017 NOK, quarter



Source: Statistics Norway

August, wage supplements were introduced for enterprises that find work for furloughed employees and a green restructuring package was proposed as well as financial support for entrepreneurs, student places and inclusion in working life. In addition a package of measures is to be implemented for the petroleum industry, which includes deferred special tax and increased tax exemptions. The increased tax exemption amounts to about NOK 8 billion. It is estimated that the measures will improve liquidity in 2020 and 2021 by a total of NOK 100 billion. The measures are intended to keep activity in the petroleum and supplier industries buoyant through the crisis.

It has also been proposed revising the rules for furloughing of employees, so that employers are obliged to pay wages for the first ten days with effect from 1 September. In a press release on 13 August, the Government proposed extending the period employees can be furloughed to 52 weeks in an effort to prevent enterprises from terminating employees. The Government also proposes that from 1 January 2021 employers pay five days of wages after 30 weeks of furlough. The changes will have fiscal consequences in 2020 and 2021.

Public consumption fell by 0.2 per cent overall in 2020 Q1 and 2.2 per cent in Q2. An important explanatory factor is that lockdown and infection control measures led to a fall in the production of ordinary school, health, public transport and day-care services. At the same time, the infection control measures pushed up public sector consumption. General government investment increased by almost 5 per cent in Q2. The growth was due primarily to health- and defence-related investment, and the purchase of fighter aircraft. It is assumed that general government activity will normalise in the time ahead. This will result in growth in general government consumption and gross investment from 2019 to 2020 of 1.5 per cent and 0 per cent, respectively. The growth projections for the period 2021 to 2023 are based on extrapolation of previous projections.

Transfers are expected to increase by 9.0 per cent in real terms in 2020. The lockdown due to measures to cope with the corona virus explains the increase. Some of the growth in transfers will be reversed in the period 2021–2023. The high level of transfers will provide an expansionary impulse in the short run.

Developments so far have revealed less need for support than previously assumed. The fiscal consequences are therefore expected to be less dramatic in 2020. At the beginning of September 2020, the value of the Government Pension Fund Global (GPFG) was just over NOK 10 000 billion. Measured in relation to the value of the GPFG at the beginning of the year, the structural non-oil deficit is projected to amount to 4 per cent. In the years ahead, spending of petroleum revenue, measured by the structural non-oil deficit as a share of the value of the GPFG is expected to gradually decline towards 3 per cent in 2023.

There is great uncertainty associated with the projections for fiscal policy. A new wave of infection could lead to a new round of measures to control the virus. There is also considerable uncertainty associated with future developments in international share prices, and in oil and gas prices and production. The outcome may be a fall in the value of the GPFG, which in turn will reduce the future scope for manoeuvre of fiscal policy.

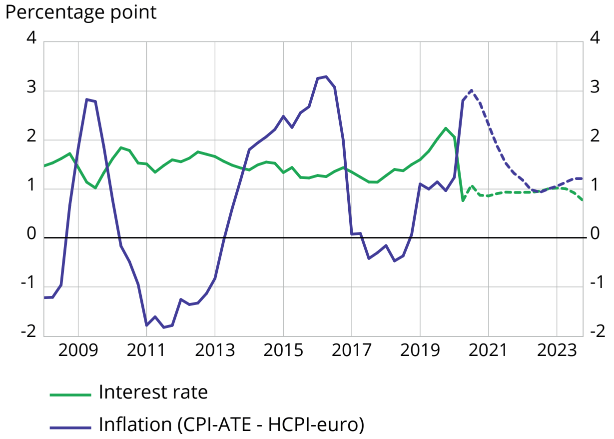
Cautious interest rate increases from 2021

In the course of a bare two months this spring, Norges Bank cut the key policy rate by a total of 1.5 percentage points, to 0 per cent. In connection with the last cut, in May, the central bank signalled that the interest rate would remain unchanged for several years to come. In its June Monetary Policy Report, Norges Bank foresaw a cautious rise in the interest rate in 2022 and 2023. This view was maintained at the August monetary policy meeting.

Money market rates have gradually shadowed the key rate, and at the beginning of September the three-month money market rate was just under 0.25 per cent. Lending rates have also been sharply reduced, and the feed-through of these rates following the change in the money market rate has been faster than normal. From the end of 2020 Q1 to the end of Q2 the interest rate on home equity lines of credit fell by over one percentage point, from 3.23 per cent to 2.16 per cent. The average deposit rate was almost halved in the same period, from 1.01 to 0.56 per cent.

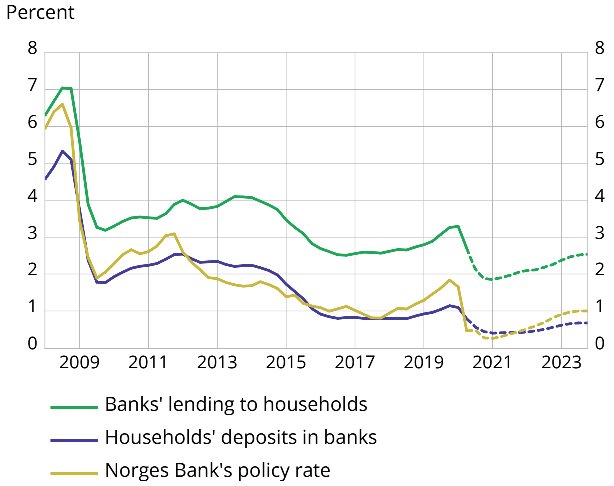
The krone depreciated sharply in the second half of March. Subsequently the weakening has been partly reversed. A little way into September, a euro costs approximately NOK 10.7, while the US dollar is priced at NOK 9.1. Our projections are based on unchanged exchange rates through the whole projection period. The exchange rate projections imply a somewhat stronger krone than forecast in the last report. In terms

Figure 3. Interest rate and inflation differential between NOK and euro



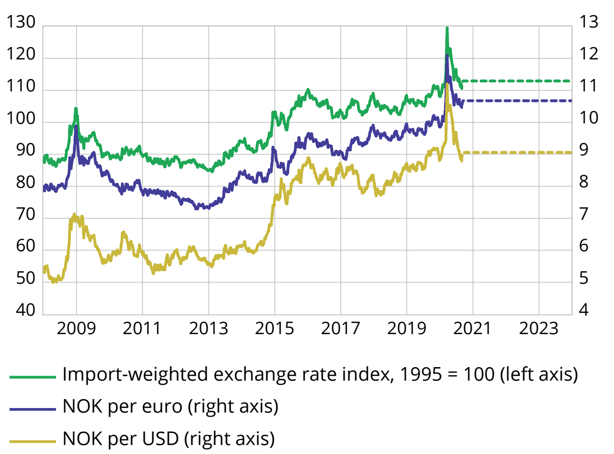
Source: Norges Bank and Statistics Norway

Figure 4. Norwegian interest rates



Source: Norges Bank and Statistics Norway

Figure 5. Exchange rates



Source: Norges Bank

of the import-weighted exchange rate, the krone is now approximately 2.5 per cent stronger than in the previous report.

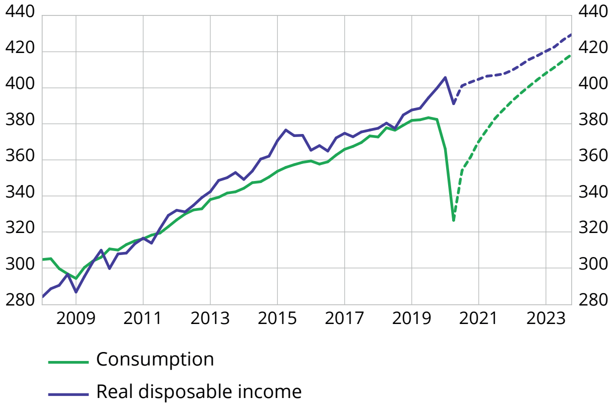
Our projections for the Norwegian economy show a small increase in unemployment and an appreciably smaller fall in mainland GDP for this year than in the previous report. The rise in house prices this year and next has also been markedly revised upwards in our projections. Against this backdrop, there is a likelihood that Norges Bank will raise the policy rate gradually from the middle of 2021. By the end of 2023, the rate is expected to be 0.75 per cent, and the interest rate on home equity lines of credit around 2.5 per cent.

The consumption rebound continues

The outbreak of the corona pandemic in March led to an immediate, sharp fall in household consumption. According to the quarterly national accounts, consumption fell by as much as 10.8 per cent in Q2 following a fall of 4.3 per cent in Q1. Monthly national accounts figures show that consumption fell by over 14 per cent in March and a further 7 per cent in April. However, goods consumption rebounded rapidly, and by May was already at a higher level than prior to the outbreak of the corona pandemic. Goods consumption rose further in June and July. Purchases of food and beverages in particular have driven goods consumption since March. Consumption of services fell considerably more than goods consumption in March as a consequence of the authorities' infection control regulations, which affected large sectors of the service industry. As a result of the gradual re-opening of the service industry in May, June and July, consumption of services recovered to some extent. Consumption received a particular boost from cultural and leisure services and hotel and restaurant services. On balance, however, service consumption fell by a whole 17 per cent in March and a further 13 per cent in April. Norwegians' consumption abroad has also fallen sharply.

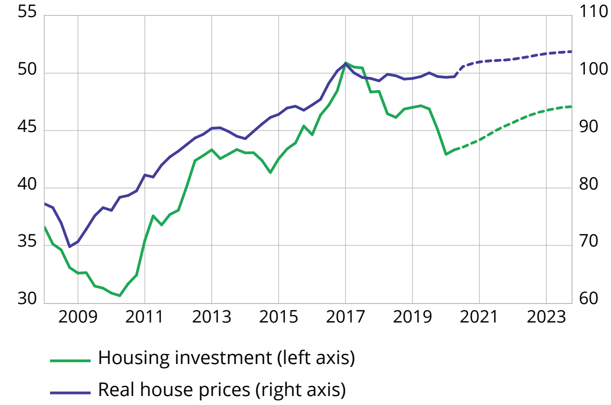
In the non-financial sector accounts, growth in real disposable income in 2019 is estimated to be about 3 per cent. If we exclude disbursements of share dividend, which is income with a limited tendency to prompt consumption, growth in real disposable income in 2020 will be somewhat lower than this. As a consequence of weaker real wage growth and a significant decline in employment during the coronavirus-induced crisis, wage income will contribute to growth in real disposable income being about 2.5 per cent this year. On the other hand, government transfers, which have grown sharply as a result of increased disbursements to a large number of furloughed and unemployed workers will keep growth in real disposable income at a high level. So will lower net capital expenses, due to record low mortgage rates. Given the low borrowing rates, the household interest burden, i.e. interest expenses in relation to disposable income, will fall from over 5 per cent last year to just over 4 per cent this year. In nominal terms, wage income for the years 2021 to

Figure 6. Income and consumption in households
Seasonally adjusted, billion 2017 NOK, quarter



Source: Statistics Norway

Figure 7. Housing market
Seasonally adjusted. Left axis: billion 2017 NOK, quarter
Right axis: index, 2017 = 100



Source: Statistics Norway

2023 will rise in pace with a gradual normalisation of the Norwegian economy. Government transfers, on the other hand, will dampen growth in real disposable income, particularly next year, when the corona virus furlough schemes gradually lapse. Higher consumer price inflation compared with this year will also push down real income in the same period. On balance we forecast that annual growth in real disposable income will be around 2 per cent in the years 2021 to 2023.

We now project a fall in consumption of an annualised average of around 7 per cent for 2020. Continued control of the spread of the corona virus will promote a further rise in consumption of services through the second half of the year. We assume that by the end of 2021 overall consumption will have rebounded to the level before the corona virus crisis impacted the Norwegian economy. With prospects of moderate growth in real disposable income and real house prices, and hence also in real wealth, consumption will grow by around 4 per cent as an annual average in the last two years of the projection period.

The saving ratio, measured as a share of disposable income including disbursements of share dividend, increased from about 6 per cent in 2018 to almost 8 per cent in 2019. The fall in overall consumption through the first half of this year led to an increase in the saving ratio, so that our projection for the annualised average saving ratio is just over 15 per cent for the current year. Such a high saving ratio has not previously been recorded in the non-financial sector accounts. Next year we estimate that the saving ratio will fall to around 10 per cent, and down further to around 6.5 per cent towards the end of the projection period.

House prices markedly up since April

Statistics Norway's seasonally adjusted house price index shows that house prices for Norway as a whole rose by 1.1 per cent in Q2 following a rise of almost zero in Q1. House prices fell by 1.4 per cent in March, according to Real Estate Norway's house prices statistics, following a similar overall rise in prices through January and February. House prices then levelled off in April, as the ban on visiting cabins probably helped to maintain buoyancy in the housing market at Easter. For the months May, June and July combined, house prices rose appreciably, by over 3.5 per cent. In July the twelve-month rise in house prices was about 5 per cent, which is attributable to the fact that record numbers bought dwellings because many spent their summer in Norway. House prices also exhibited a rise of 0.3 per cent in August, down from 0.9 per cent in July, which may point to a flatter tendency in the course of the autumn.

At the same time, according to the Norwegian Homebuilder Association, sales of new dwellings had never been lower than in the first half of the year. The already weak developments in sales of new homes in January and February were exacerbated by the corona pandemic, with sales plummeting a full 47 per cent in March, 45 per cent in April and 18 per cent in May compared with the same months last year. Although sales of new homes were 3 per cent higher in June this year compared with the same month in 2019, the market for new homes has probably lost much of its demand in favour of the resale home market, due to increased uncertainty about economic developments going forward.

According to the national accounts, housing investment fell through the second half of 2019 and in January this year. There has subsequently been very weak growth in investment in this area. However, developments in sales of new homes through the first half of this year will place a considerable damper on further housing starts, and hence also growth in housing investment, for a good while to come. We now forecast that housing investment will fall by around 7 per cent as an annual average this year, and then rise moderately through the years 2021 to 2023, in pace with movements in real house prices. Given these developments, the level of housing investment in 2023 will be around 6 per cent lower than the peak in 2017.

In our model projections, there is a reciprocal effect between house prices and the supply of dwellings. Lower housing investment, which means less growth in the supply of dwellings will lead, all else being equal, to higher house prices. We also assume a reciprocal relationship between house prices and household borrowing. Our projections indicate that average annual debt growth will be just over 5.5 per cent in the projection period, which is a little higher than last year.

House prices are also determined by developments in real disposable income, real interest rates and population size. The strong rise in house prices since April indicates that the very low real interest rates facing households during the corona crisis have overshadowed the prospects of lower real income growth, lower population growth and continued great uncertainty concerning economic developments going forward. Our projections for house price developments this year and next have therefore been revised sharply upward compared with the previous economic report. We now forecast that house prices will rise by just over 3 per cent as an annual average this year and by about 4 per cent in 2021. A gradual increase in mortgage rates, which we foresee, could dampen the rise in house prices going forward, particularly during the last two years of the projection period. The ending of the temporary changes in the mortgage regulations, which increased the permissible deviation from approved loans from 10 to 20 per cent during the corona crisis, will probably also exert downward pressure on the rise in house prices going forward.

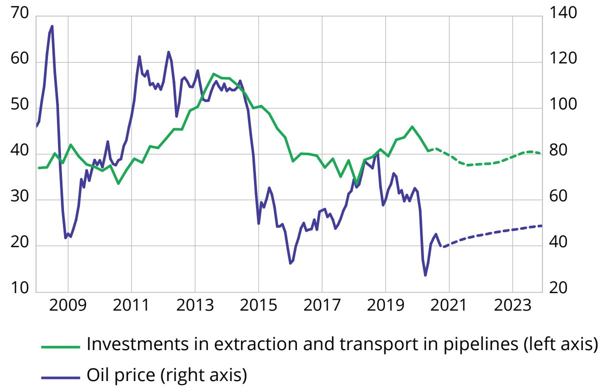
Our projections for developments in the supply of dwellings, household income growth, borrowing, and population growth have to some extent mutually opposing effects on house price movements for the next few years. We therefore assume a more moderate annual rise in house prices of around 2.5 to 3 per cent in 2022 and 2023. Given inflation of between 1.5 and 3 per cent, real house prices will rise between 0.5 and 2 per cent through the projection period.

Wide fluctuations in petroleum investment

In 2018 and 2019, petroleum investment increased by 1.9 and 12.8 per cent, respectively, according to the national accounts. In the first half of 2020, the volume of petroleum investment was 1.8 per cent higher than the level in the first half of 2019. The extraction industry was impacted by the pandemic from early March, directly through Norwegian infection control measures and indirectly through a sharp fall in the oil price. Already before the pandemic, petroleum investment appeared likely to level off in 2020 following the strong growth in 2019, and a significant fall in investment was also expected in 2021.

The fall in the oil price led to many petroleum companies on the Norwegian continental shelf giving notice of substantial investment cuts in March. At the same time,

Figure 8. Petroleum investments and oil price
Seasonally adjusted. Left axis: billion 2017 NOK, quarter
Right axis: USD per barrel



Source: Statistics Norway

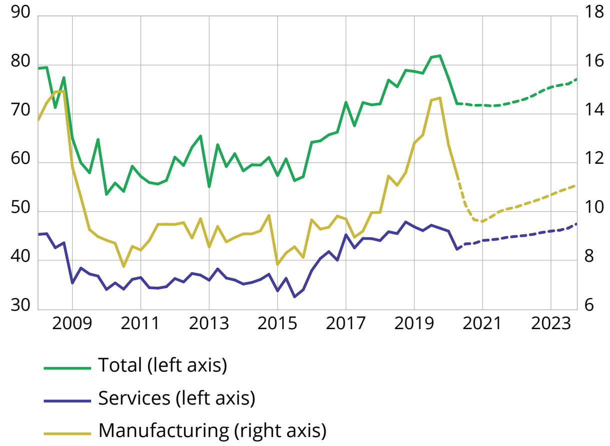
the industry submitted a concrete proposal to the authorities regarding a temporary change in the tax rules to improve the liquidity of the petroleum companies. This would enable the industry to adhere to previous investment plans. In June the Storting adopted a package of tax measures that included immediate deduction of investment from the basis for special tax, plus a 24 per cent increase in uplift for investment this year and next. In addition, all development costs for which plans for development and operation (PDOs) are delivered in the period from June this year to the end of 2022 are to be covered by the same favourable tax rules.

According to Statistics Norway's most recent investment intentions survey, licensees on the Norwegian continental shelf estimate their nominal investment in 2020 to be about NOK 185 billion, which indicates nominal growth of 1.9 per cent in 2020. A PDO for the Breidablikk project will probably be submitted this autumn, which will lift nominal investment growth to 2.4 per cent this year. According to our projections, inflation will be 5.5 per cent for the whole of 2020, and the investment volume will thus fall by 3.1 per cent this year.

In the survey, the petroleum companies' projection for 2021 is reported as about a nominal NOK 149 billion, which is almost 15 per cent lower than the corresponding projection for 2020. The decline in 2021 will be mainly in field development. PDOs will also be submitted for a number of projects in 2021. These include Eldfisk North, Frosk, Tommeliten Alpha and Lavrans. These projects will substantially raise development investment in 2021. In addition, investment in fields in operation may increase more than the survey implies at present. The favourable temporary tax rules for this type of investment will terminate at the end of 2021. This may encourage companies to accelerate some of these investments. We forecast that the volume of petroleum investment will be reduced by around 10 per cent in 2021.

Figure 9. Investments, Mainland Norway

Seasonally adjusted, billion 2017 NOK, quarter



Source: Statistics Norway

While the tax changes seem likely to bring field projects forward, and thereby accelerate investment activity in fields in operation in 2021, we anticipate that the phasing out of the temporary tax measures will lead to a fall in this investment category in 2022. The package of tax measures looks likely to trigger and accelerate several development projects in 2022. For companies to secure favourable tax conditions throughout the development phase, PDOs must be submitted in the course of 2022. According to plan, decisions on large projects such as Wisting and Noaka will have to be taken in the course of 2022. Several other projects are also expected to be accelerated by the operators so that they secure favourable tax conditions for the entire development phase. PDOs for most of these developments will probably be delivered relatively late in the year, but we nevertheless forecast clear growth in field development in 2022. This increase will correspond roughly to the expected decline in fields in operation in the same year. Given a moderate increase in exploration activity, we forecast growth in petroleum investment of roughly 1 per cent in 2022.

The very large number of developments for which PDOs are expected to be submitted in 2021, and particularly in 2022, will mean a high level of investment in 2023. It is usual for investment in development projects to be highest in the second and third years of the development phase. We therefore forecast considerable growth in development investment in 2023. The other investment categories are assumed to show relatively flat developments from 2022 to 2023. Petroleum investment is accordingly projected to increase by around 7 per cent in 2023.

In the first half of 2020, oil and gas extraction, measured as energy equivalent, was 5.2 per cent higher than in the same period last year. Liquid production increased by 21.5 per cent, while gas production in the first half of the year was 7.5 per cent lower than in the same period in 2019. The strong increase in liquid production is attributable to the large Johan Sverdrup field, which came onstream in October last year. According to the Norwegian Petroleum Directorate's projection of May this year, oil and gas extraction is expected to increase by 9.5 per cent this year. Gas production so far this year has been somewhat lower than expected by the Directorate, so the increase may also be lower. Growth in extraction is expected to remain positive, but declining later in the projection period.

Sharp fall in business investment

Mainland business investment fell by 6.8 per cent in Q2, after a decline of 5.6 per cent from 2019 Q4 to 2020 Q1. The corona pandemic and infection control measures are important reasons for the fall in investment. Nonetheless, it is worth remembering that the decline follows a period of strong investment growth: In the period 2016–2019, business investment swelled by a whole 23 per cent, and investment expressed as a share of GDP rose well over the average for the past 20 years. This, and the great uncertainty shrouding economic developments going forward, may point to weak developments in investment for the next years.

Statistics Norway surveys the investment plans of manufacturing enterprises. The most recent investment intentions survey, conducted in August, indicates a slump of over 20 per cent this year. The expected decline is broadly distributed across the various manufacturing segments, with refined petroleum products, chemicals and pharmaceuticals manufacturing and repair and installation of machinery accounting for the largest shares. The survey also provides projections for 2021, though these must be regarded as more uncertain. The preliminary projections indicate a decline in manufacturing investment of around 9 per cent next year.

The survey indicates that the electricity supply level for the current year will remain roughly in line with last year, but that investment will fall by around 10 per cent next year. Much of the expected decline can probably be attributed to the completion of windpower investments.

There are also prospects of a marked fall in investment in sectors other than manufacturing – first and foremost as a consequence of lower capacity utilisation and less profitability. At the same time, the great uncertainty regarding near term developments is likely in itself to check the desire of enterprises to invest. This uncertainty probably applies particularly to service industries such as travel and cultural activities. Norges Bank's Regional Network surveys economic developments in Norway, including the investment plans of the service sector. The most recent report, published in June, shows that the service industries expect a sharp drop in investment in the period ahead. As service investment accounts for about 60 per cent of total mainland investment, it also determines overall developments in investment.

We project that overall business investment will fall by around 10 per cent this year. The projections for 2021 show a further fall of around 1–2 per cent before growth becomes moderately positive in the years 2022 and 2023. Should this scenario become reality, the investment level will be about 5 per cent lower in 2023 than in 2019.

Large reductions in foreign trade

The corona pandemic and all the infection control measures have negatively impacted international trade. Most Norwegian exports have fallen in both volume and price since February this year, with a significant exception for an increased export volume of crude oil. The volume of imports has also fallen, while prices for most imports have increased as a consequence of the depreciation of the krone. All in all, the reductions have had a major negative effect on the balance of trade.

While the effects of the corona virus were limited in Q1 this year, their full impact was felt in Q2. Large reductions in exports of refined petroleum products, basic chemicals, chemical and mineral products and metals and engineering products caused traditional goods exports to fall by more than a seasonally adjusted 8 per cent in Q2, with refined petroleum products accounting for 2 percentage points. From March to May, traditional goods exports fell by 9 per cent before edging up by just under 1 per cent and 6 per cent in June and July, respectively. Prices for refined petroleum products were halved in Q2. If refined petroleum products are excluded, prices for traditional goods exports only dipped a little in Q2, after rising slightly the previous quarter.

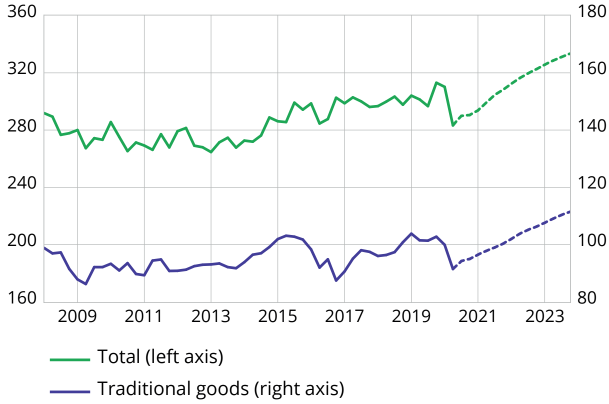
After a slight rise in Q1, service exports plunged by almost a fifth in Q2 this year. Almost all categories of services showed a decline. Reduced travel accounted for half of the overall decline, reduced gross earnings for maritime freight and reduced transport services for a third, while the remainder of the decline can be mainly ascribed to reduced exports of financial and business services. Prices for exports of petroleum-related services exhibited a particularly large rise in prices in Q2, slightly nudging up prices for service exports as a whole.

Overall exports of oil and gas fell in Q1 and edged up in Q2, even though gas exports showed the opposite tendency. The average export price for oil in NOK fell by almost a third in Q2, while the price for gas exports rose after plummeting through 2019 and 2020 Q1. The oil price has risen since being halved in March and April.

In previous economic reports, we have stressed that the improvement in cost-competitiveness and the weakened krone have contributed substantially to boosting mainland exports. Viewed in isolation, both may still generate positive growth impulses, but the negative impact of the corona pandemic on international trade has dominated completely since March. As a result we

Figure 10. Exports

Seasonally adjusted, billion 2017 NOK, quarter



Source: Statistics Norway

have revised down international market growth for this year and next. We therefore expect a sharp decline in exports of mainland goods and services in 2020. Mainland exports are then expected to pick up, but exports of services are not expected to revert to the level prior to the corona pandemic during the projection period. Growth in oil and gas exports is expected to be positive, but declining all the years of the projection period.

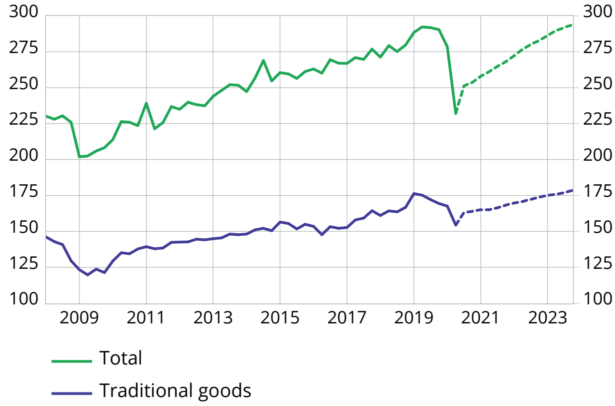
Imports of traditional goods fell substantially in the same way as exports in Q2 this year, after a small, but persistent decline through the four previous quarters. The decline was broad-based, but with the weightiest contributions from reduced imports of engineering products and cars. The rise in prices for traditional goods exports increased substantially in Q2, and was also broad-based. Consumers experienced a pronounced rise in prices for food and drink, clothing and footwear and cars. Much of the rise in prices is due to the depreciation of the krone through 2019 and in 2020 Q1.

Service imports fell sharply in Q1 this year, three times the fall in Q2. In all, service imports plummeted over 40 per cent through the first half of 2020. Following close behind the almost total halt in Norwegians' travel abroad in Q2, operating expenses for international shipping accounted for the second largest reduction. Imports of cultural services, information services and commercial services also fell sharply in Q2 this year.

The corona restrictions are curbing demand and lowering imports this year. Subsequently we forecast a rebound in the course of the projection period to the import volumes prior to the corona pandemic.

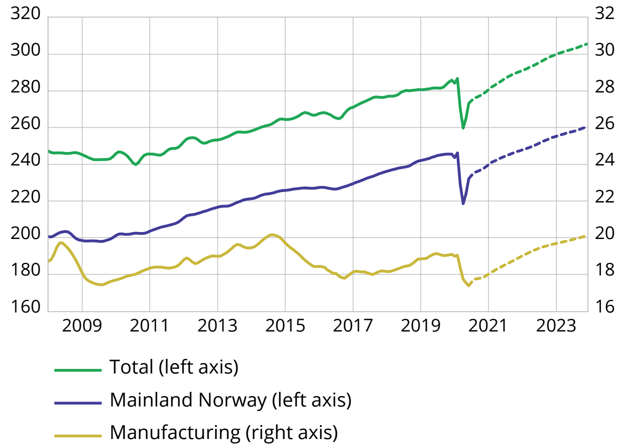
There has been a mainland trade deficit for many years, because the value of goods imports is substantially larger than that of goods exports. Service exports and imports have been approximately equivalent in value. Since the turn of the millennium, the high value of oil and gas exports has nonetheless resulted in fairly

Figure 11. Imports
Seasonally adjusted, billion 2017 NOK, quarter



Source: Statistics Norway

Figure 12. Gross domestic product
Seasonally adjusted, billion 2017 NOK, month



Source: Statistics Norway

large surpluses on overall foreign trade. Over time, rising returns on fixed income and equities from a steadily growing petroleum fund have contributed to an increasing income and current transfers surplus. A sharp fall in the value of oil and gas exports, and larger reductions in mainland exports than imports may result in a trade deficit this year. We expect these factors to be reversed to some extent in the years ahead, and that the trade balance will again show a surplus in the final years of the projection period. Assuming a sustained income and current transfers surplus, we expect the current account balance as a share of GDP to be between 3 and 4 per cent in the projection period.

Activity is gathering pace

Activity in the Norwegian economy altered abruptly after the outbreak of the corona virus and the subsequent infection control measures that were introduced both in Norway and in the rest of the world. Monthly national accounts figures show that mainland GDP fell by 7 per cent in March and a further 4.6 per cent in April. Economic activity has picked up since then, with growth in the following three months. At the end of Q2, almost half of the fall had been recouped following growth of 2.4 per cent in May and 3.7 per cent in June. Developments in July were somewhat more subdued, with growth of 1.1 per cent compared with June. On balance, economic activity fell by 4.7 per cent from February to July; see chapter 3 of Konjunkturtendensene (Norwegian text).

The decline in production has been particularly strong in several service industries, both market-oriented and public sector activities. Commercial services, the hotel and restaurant industry, culture, entertainment and other services, and transport other than shipping suffered a sharp decline in Q2. Manufacturing also experienced the effects of the corona outbreak, particularly petroleum-related industries. Day-care centres, schools and educational institutions opened with reduced capacity through Q2, and their activity is still limited compared with February. Both public sector and market-oriented healthcare players have experienced a fall in activity, described in more detail in Box 3.1 of chapter 3 in Konjunkturtendensene. This is a large industry and has therefore played a weighty part in overall developments in economic activity.

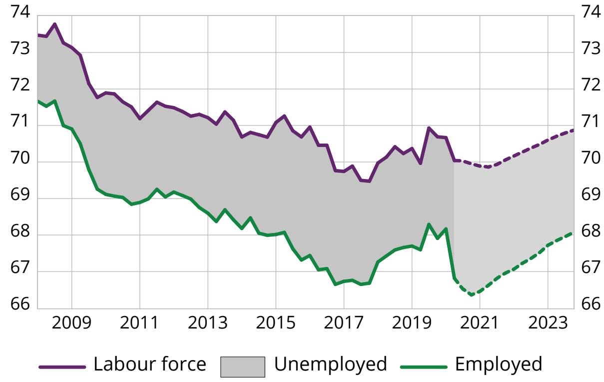
The abrupt contraction in the Norwegian economy appears to be over. At the same time, future developments in the economy are shrouded in uncertainty. Recovery depends not only on a possible resurgence of the virus and the degree of infection control measures in Norway, but also on the oil price, and general developments globally. Many of our trading partners are experiencing far deeper economic contractions than we are in Norway.

The petroleum industry, both extraction and related services, has been hit by the corona crisis. Despite a somewhat higher oil price recently and the package of measures for the industry, petroleum investment will fall both this year and next, thereby applying the brakes to economic development. Our projections show that this, combined with weak domestic consumption and low activity among our trading partners, will depress activity in 2020.

As growth picks up among our trading partners, manufacturing activity is expected to improve. A continued weak krone will also improve the prospects for manufacturing in the years ahead. A higher oil price and the package of measures will provide impetus to petroleum investment from 2022. After several years of solid growth and a high level of activity, production in the construction industry slumped after the outbreak of the virus. The lack of new projects during an uncertain time, combined with falling housing investment is depressing activity appreciably this year, but will be followed by growth in the years ahead. The current year is expected to close on a sharp fall in overall activity for the service industries before they, like most other industries, rebound later in the projection period. General government activity is expected to remain roughly unchanged from last year to this year.

Even if the infection control measures are gradually phased out, the after effects and weak global developments will probably weigh down the Norwegian economy for some time going forward. We forecast that mainland GDP will fall just over 3 per cent this year. There are three extra business days in 2020 compared with 2019, which will reduce the decline by about 0.5 percentage point. Growth in the mainland economy is assumed to pick up subsequently, to 3.6 per cent in 2021, before falling back somewhat for the remainder of the projection period. The upturn in the mainland economy appears to be broad-based, and at the end of 2021 activity will have reverted to the level prior to the outbreak of the virus in February 2020.

Figure 13. Labour market status
Percent of population in working age, LFS



* Unemployment is measured as share of population in working age
Source: Statistics Norway

Labour market affected by furloughs

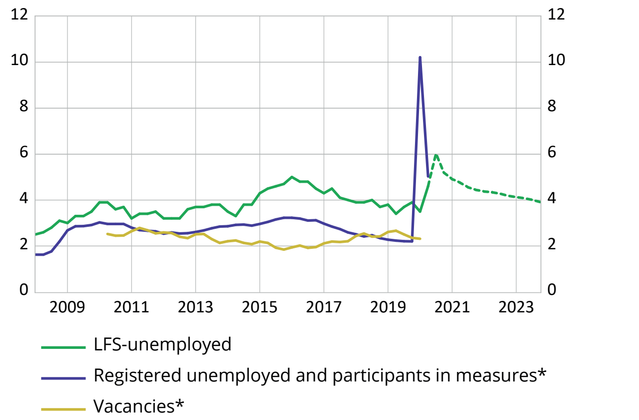
Employment in Norway exhibited weak growth from mid-2019 and fell in the first half of this year. The decline from Q2 last year to the same quarter this year was 1.7 per cent. The fact that the fall was so moderate, given the ongoing corona crisis, is due to furloughed employees being counted among the employed, both in the national accounts and in the Labour Force Survey (LFS). In both these sets of statistics, fully furloughed employees are regarded as employed for the first 90 days that they are furloughed; see also chapter 3.9 of Konjunkturtendensene. In the NAV figures for registered unemployed, however, they are classified as unemployed.

The number of furloughed workers has changed sharply through the year. The furlough rules were changed in March to help both employers and employees. From a level of 4 700 furloughed employees reported to NAV in January this year, the number peaked at 272 800 persons in April with a subsequent drop to 90 000 in August. In the near term, developments in the numbers furloughed are uncertain. In July and August, 18 and 21 per cent, respectively, of newly registered job-seekers were furloughed.

The number of man-hours worked fell more than employment in Q2, down 5.4 per cent on the same quarter in 2019. This is because those who are furloughed are employed, but do not work any hours. The decline in hours worked was particularly strong in the industries that were hardest hit by the infection control measures. From 2019 Q4 to 2020 Q2, the number of hours worked in transport other than shipping fell by 17.3 per cent, in culture, entertainment and other services by 24.4 per cent, and in hotels and restaurants by 24.9 per cent.

The fall in employment and increase in number of furloughed workers, who are counted as unemployed by NAV from day 1, caused an increase in the number registered with NAV as unemployed from 2.4 per cent of the labour force at end-January to 10.6 per cent at end-March, followed by a decline to 4.3 per cent in August. LFS unemployment, on the other hand, does not include layoffs, and therefore showed a lesser rise

Figure 14. Unemployed and number of vacancies
Percent of labour force and of the sum of occupied and vacant positions, seasonally adjusted and smoothed



*Breaks in the statistics make the numbers incomparable before and after January 2013
Source: The Norwegian Labour and Welfare Administration and Statistics Norway

and for a period was lower than the unemployment figures from NAV, which is unusual. The last LFS figures for July indicate that the LFS is again showing higher unemployment figures than NAV's figures for registered unemployed. LFS unemployment in Q2 was 4.6 per cent, an increase of 1.2 percentage points on the same quarter in 2019. Box 1 provides a more detailed discussion of the relationship between LFS unemployment and furloughs.

The number furloughed is assumed to decline going forward, partly because activity is picking up in several sectors, but also because enterprises are making cutbacks or closing down completely, and there will be terminations instead of furloughs. Terminations are captured by the unemployment measures of both NAV and the LFS. A weak labour market is also making it more difficult for new job-seekers. They are captured less by the NAV than by the LFS figures. We may therefore continue to see a stronger increase in LFS unemployment.

We foresee an improvement in global economic activity. A continued expansionary fiscal policy and low interest

Box 1. Unemployed and furloughed in the Labour Force Survey

The Labour Force Survey (LFS) is a sample survey, the purpose of which is to provide information about developments in the labour market, particularly with respect to employment and unemployment. The LFS interviewees are asked about their labour market participation in eight successive quarters. They are asked about their work participation in a reference week. These reference weeks are distributed throughout the quarter. The size of the sample is chosen so as to provide relatively exact statistics on a quarterly basis. Statistics Norway therefore publishes the LFS as quarterly statistics and monthly statistics, where the latter take the form of a three-month average.

Since March this year, Statistics Norway has also published articles based on "pure" monthly figures (Hamre et al. 2020), i.e. purely seasonally adjusted observations for a month and not a three-month average. Statistics Norway does not normally publish these "pure" monthly figures, because of the great uncertainty normally associated with them. In periods with wide fluctuations in the labour market, this uncertainty becomes relatively less important, however.

The figure below shows numbers from the last publication of these "pure" monthly LFS data; see Aamodt (2020). Among other things, the figure shows developments in the unemployed, as defined in the LFS. In this survey, furloughed persons are regarded as unemployed only after they have been furloughed for three months. The figure also includes the number of those furloughed who are not regarded as unemployed in the LFS.

The total number of fully unemployed and furloughed for less than three months in the LFS rose in March to 173 000 persons, from 102 000 in February. The number for March is an average for all the reference weeks in the month, and thus includes two weeks before many were furloughed as a consequence of the lockdown on 12 March. In April, the sum of unemployed and those furloughedf for less than 3 months rose to 277 000 persons. This number subsequently fell to 257 000 in May, and down further to 188 000 in June and 178 000 in July.

The LFS definition of unemployed is persons without income-generating work who attempted to secure such work in the course of the past four weeks, and who could have undertaken work in the reference week or the following two weeks. NAV publishes statistics on the number of persons who have registered with them as unemployed. The NAV unemployment figures are normally lower than those in the LFS, partly because persons who do not have a right to unemployment benefit register with NAV to a lesser extent; see for example Sandvik (2020).

The NAV figures for the number of fully unemployed are the numbers registered as unemployed at month-end. According to Statistics Norway›s seasonally adjusted NAV numbers, there were 290 000 fully unemployed in March this year. To make the NAV numbers more comparable with the LFS numbers, in the figure we have calculated derived NAV numbers as the average of the NAV numbers from the end of the current and previous months. For example, as 62 000 fully unemployed were registered with NAV at end-February, the derived NAV number for March will be (62 000 + 290 000)/2 = 176 000. This is approximately the same as the March number for the total number of LFS unemployed and those furloughed who are not regarded as unemployed in the LFS. For April, too, the LFS and NAV have about the same number of unemployed persons when the number of those furloughed is included. In May and June the numbers registered with NAV as fully unemployed fell more than the numbers of LFS unemployed including those furloughed.

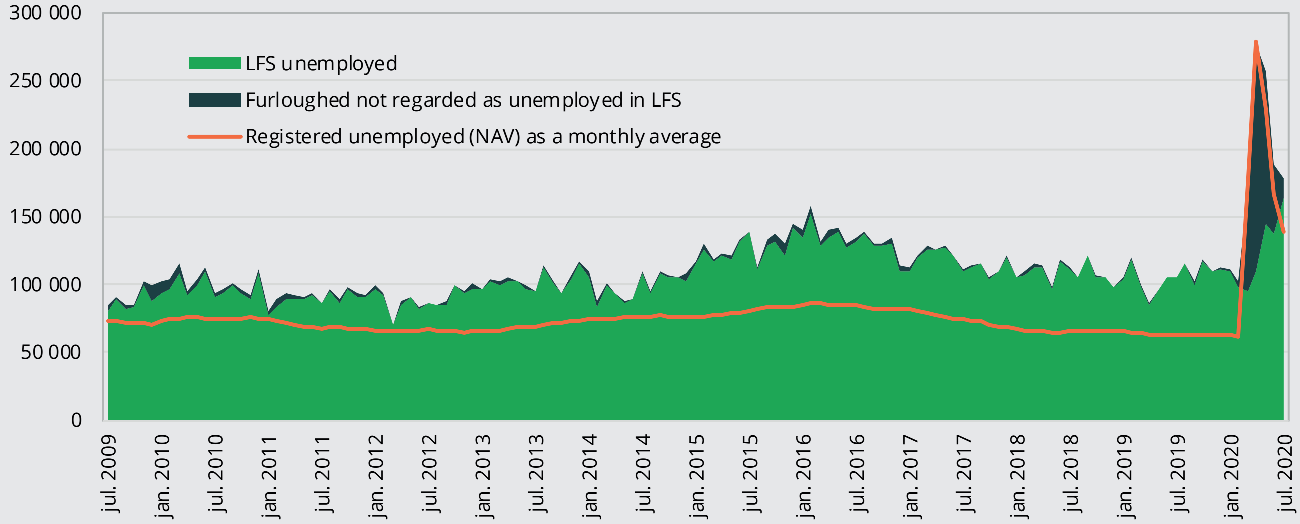
References

Aamodt, I. 2020. Flere arbeidsledige i juli. [Higher numbers of unemployed in July] Published 26 August 2020, https://www.ssb.no/arbeid-og-lonn/artikler-og-publikasjoner/flere-arbeidsledige-i-juli

Hamre, J. I., H. Hungnes, H. Lien, O. Sandvik and Ø. Langsrud. Nedgang i sysselsatte i arbeid [Decline in number of employed in work]. Published 23 April 2020, https://www.ssb.no/arbeid-og-lonn/artikler-og-publikasjoner/ Nedgang i sysselsatte i arbeid

Sandvik, O. Hvorfor ulike arbeidsledighetstall? [Why different unemployment numbers?] Published 23 January 2020, https://www.ssb.no/arbeid-og-lonn/artikler-og-publikasjoner/hvorfor-ulike-arbeidsledighetstall--410344

LFS unemployed including those furloughed, and Registered unemployed in NAV as monthly average, seasonally adjusted figures



Source: Statistics Norway.

rates will result in a gradual improvement in the labour market up to 2023. However, only at the end of the period, when petroleum investment is expected to increase again, do we expect employment to be as high as in 2019. As demand for labour picks up, the labour supply will also begin to grow from the end of 2021. Despite an increased supply of labour, unemployment will be reduced, however, partly because the increase in inward labour migration is expected to remain low until travel restrictions are lifted. According to our projections, LFS unemployment will gradually fall, to just over 4 per cent in 2023.

Falling real wages next year

In 2020 Q2, growth in average monthly basic earnings relative to the same quarter last year was 4.2 per cent, which is 0.7 percentage point higher than the growth rate in 2020 Q1. Much of this increase is due to the fact that the reduction in the number of jobs as a consequence of pandemic-related furloughs has taken place in occupations with a low average wage level. The strongest growth in average monthly basic earnings took place in the industries hotel and restaurant and personal services, at 6.9 per cent and 5.4 per cent, respectively. In these industries, the reduction in the number of jobs as a consequence of furloughs has taken place in occupational groups with a low average wage level (for example waiters and bartenders), which pushes up average monthly basic earnings in these industries. In the large industries retail trade and health and social services, growth in average monthly basic earnings was 2.7 and 3.9 per cent, respectively, in Q2.

Growth in average annual wages can be decomposed into three components: carry-over, contributions from pay increases, and wage drift. Carry-over is the difference between the annual wage level at the end of the previous year and the average annual wage level that same year. The negotiated wage increase comprises the wage increase resulting from central negotiations. Wage drift is the sum of all other factors that influence annual wages apart from carry-over and contributions from the negotiated wage increase, including the composition effects ensuing from changes in job composition (see Box 2).

The postponed income settlement negotiations started on 3 August, and after negotiations went into overtime, the Federation of Norwegian Industries and the Norwegian United Federation of Trade Unions reached agreement on 21 August. The Confederation of Norwegian Enterprise (NHO), in agreement with the Norwegian Confederation of Trade Unions (LO), has estimated that wage growth in manufacturing that comes under the NHO will be 1.7 per cent in 2020. Contributions to this are annual salary carry-over of 1.2 per cent for manufacturing workers and 1.3 per cent for clerical employees in manufacturing. The contributions from the negotiated wage increases are estimated to account for 0.3 percentage point, with a general increase of NOK 0.50 per hour for employees covered by the Industry Agreement and a further increase of NOK 1.50 per hour for employees in the textile and apparel industry (Teko) part of the Industry Agreement. The remainder of the annual wage growth consists of estimated contributions from wage drift.

A high unemployment rate and the low level of activity globally will probably moderate any local wage increases at enterprise level this year. We therefore forecast growth in annual wages of 2.0 per cent in 2020. Given a projected rise in the CPI of 1.5 per cent for the current year, growth in real wages will be 0.5 per cent in 2020.

In 2021 we forecast CPI inflation of 2.9 per cent and average annual wage growth of 2.3 per cent, so that real wages will fall by 0.6 per cent in 2021. Moving towards 2023, the profitability in the wage leader segment will increase in pace with that of our trading partners, and domestic unemployment will gradually fall to a more normal level. Wage growth will then pick up somewhat, resulting in real wage growth of just over 1 per cent in 2022 and 2023.

Underlying inflation down in the longer term

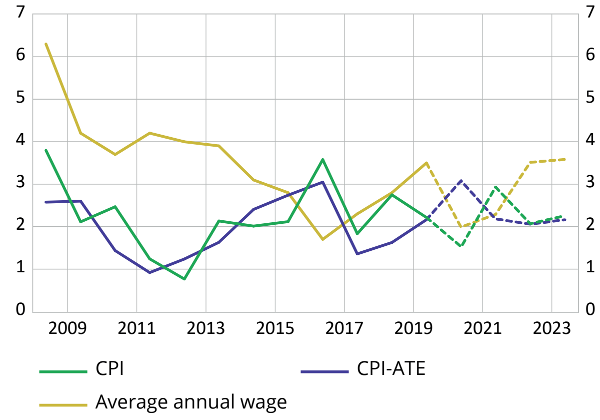
The underlying inflation rate measured by the 12-month rise in the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) has picked up markedly in recent months. With the exception of the January index for 2020, which showed an annual rise of 2.9 per cent, the inflation rate measured by the CPI-ATE remained at around 2 per cent from July 2019 to March this year, when the rise was 2.1 per cent. April saw a change in the inflation rate when the annual rise in the CPI-ATE was noted at 2.8 per cent, and it has since increased gradually to a peak of 3.5 per cent in July. The inflation can be mainly attributed to the rise in prices for imported goods consumption, but prices for consumption of services other than housing rent have contributed to the increase in the underlying inflation rate.

Through the whole of 2020, the annual rise in the consumer price index (CPI) has been appreciably lower than the rise in the CPI-ATE. The difference between CPI and CPI-ATE inflation is due to developments in energy prices, particularly electricity prices, but tax changes have also contributed. The average rise in the period January–July compared with last year was 2.8 per cent for the CPI-ATE and 1.2 per cent for the CPI.

The difference between the CPI-ATE and the CPI thus averaged 1.6 percentage points for this period. The annual rise in the CPI was as low as 1.3 per cent in July, a full 2.2 percentage points less than the rise in the CPI-ATE. Temporary tax reductions in connection with the corona crisis contributed just under 0.5 percentage point to the July difference between the inflation measures, and sugar tax was also reduced from 1 July. The temporary reduction in the low value-added tax rate from 12 to 6 per cent will be reversed from 1 November,

Figure 15. Consumer price indices and annual wage

Change from previous year in percent



Source: Statistics Norway

which may reduce the difference in the final months of the year. For the year as a whole, we assume that the difference between the CPI-ATE and the CPI will be 1.6 percentage points, including a contribution of 0.2 percentage point attributable to tax changes.

The increase in the underlying inflation rate in recent months is largely attributable to developments in the krone exchange rate. According to the CPI-ATE, the 12-month rise in the sub-index for imported consumer goods was 3.8 per cent in July, which was 3.1 percentage point higher than in March 2020. Imported consumer goods constitute a third of the weight base of the CPI-ATE. Thus increased prices for imported goods explain over two thirds of the 1.4 percentage point increase in the CPI-ATE in the period March to July. The import-weighted krone exchange rate (I44) weakened sharply in March and remained weak through the spring. The weakening was reversed in the course of the summer and at the beginning of September the krone exchange rate was at about the same level as at end-February. Even with this appreciation, the krone measured by the import-weighted krone exchange rate is more than 6 per cent weaker in our projection scenario than in July 2019. The time-lagged effects of the temporary and permanent depreciation of the krone will mean that inflationary impulses from imported goods persist for a good while to come.

According to the CPI-ATE, the 12-month rise in prices for goods manufactured in Norway was 2.7 per cent in June and 2.5 per cent in July, and contributed to curbing the rate of underlying inflation. In the last few months there has been a tendency for the rise in prices for this product group to ease, with low wage growth and low energy prices exerting downward pressure on the rise in costs. With prospects of continued low wage growth, this product group, with a weight of about 13 per cent in the CPI-ATE, will probably contribute to curbing inflation for the remainder of the year.

On aggregate, the rise in prices for services excluding rent has increased somewhat since the re-opening of these services. The rise in prices for restaurant services and personal well-being has picked up a little in recent months. Infection control add-ons in connection with the corona pandemic may be a contributory factor. For the service group accommodation services, price inflation has been clearly negative compared with 2019. The absence of conferences and large cultural arrangements in urban areas will probably result in continued low occupancy rates for hotels in the near term. The negative price inflation for this group of services appears to be persisting. Rents are also keeping inflation low. The 12-month rise for this important group of services was as low as 1.3 per cent in July. One factor that is probably contributing to the low rise in prices in the rent index is developments in the CPI, as existing rental contracts are mainly indexed to general inflation.

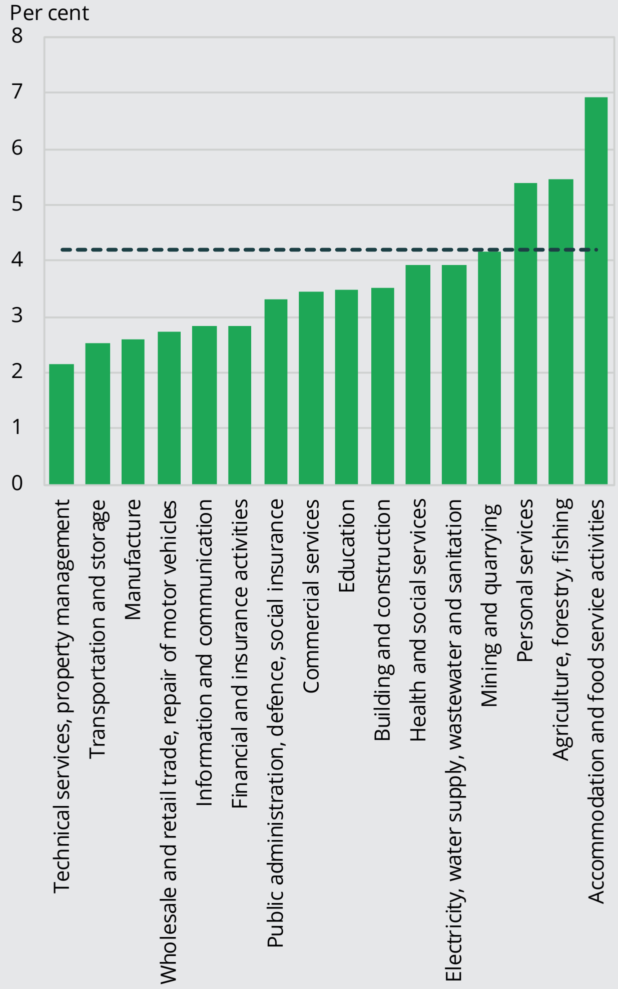
Norwegian electricity prices are linked to European power prices through power exchange between the Nordic countries and Europe. In addition, Norwegian electricity prices are affected by the hydrological balance and temperatures. The precipitation and thawing of record quantities of snow in the mountains has resulted in full reservoirs and high power production, which in turn has meant record low electricity prices. According to the Norwegian Water Resources and Energy Directorate (NVE), the transmission capacity between Norway and Sweden, and between Norway and Denmark, has been substantially reduced at times, limiting export potential. This has led to wide price differences between Norway and the other Nordic countries, where electricity prices have been generally higher. At the beginning of September, spot prices for electricity in all Norwegian price areas increased substantially from August, but they are still low compared with September last year. On the basis of forward prices in the power market, we now expect electricity prices, including grid charges, to fall by just under 30 per cent as an annual average from 2019 to 2020. This year's decline will be reversed to an increase of about 20 per cent next year, which will cause a rise in CPI inflation. For the remainder of the projection period, we assume that electricity prices, including grid charges, will increase slightly more than CPI inflation. We forecast that fuel prices will fall by about 6 per cent as an annual average in the current year. Low oil prices will contribute to a slight further fall in annualised average fuel prices next year. We assume that in the years ahead fuel prices will shadow movements in the price of crude oil in Norwegian kroner. Given the projected rise in electricity prices, energy prices as a whole will push down CPI inflation by roughly 1.4 percentage points this year.

One of the measures in connection with the corona pandemic is a reduction in the low value-added tax rate from 12 to 6 per cent from 1 April up to and including 31 October 2020. It was also decided to abolish air passenger tax in this period, while tax on sugar was reduced to the 2017 level from 1 July. Consumption

Box 2. Composition effects and annual wage growth

In the national accounts, the annual wage is defined as the wage normally received by a wage-earner in a calendar year if he or she works full time, does not work overtime and has full pay during absence (holidays, sickness absence and other temporary absences).[1] The number of vacation days taken is assumed to be equal to the number of days for which holiday pay has been earned. Payment in kind and severance pay are not included. Moreover, wage-earners who are furloughed full-time, so that they are entirely exempt from their work obligations, are regarded as employees with temporary absence for the first 90 days of a continuous furlough period, but after that they are regarded as non-employed. Persons who are partly furloughed are regarded as employees irrespective of the duration of the furlough. Only if full-time furloughs last for more than 90 days are employees regarded in the national accounts as not employed, but rather as unemployed.

Figure 1. Growth in average monthly basic earnings. 2020 Q2 relative to 2019 Q2



Source: Statistics Norway, Table 11654.
The broken horizontal line shows growth in average monthly basic earnings for all industries.

If full-time furloughs last longer than 90 days, the calculation of average annual wage will therefore be based on a different employed population from previously. This phenomenon may be one of several effects of the corona pandemic on annual wages, and is referred to as a "composition effect". If those who are furloughed full time are systematically different from other wage-earners, the average annual wage in 2020 could be changed relative to 2019, even if the average full-time wage in the industry or occupation remains constant. If, for example, wage-earners in low-wage occupations are lfurloughed more than other wage-earners, the new employed population will have a higher average annual wage than previously. This composition effect will thus push up growth in average annual wages.

The quarterly wage statistics for 2020 Q2 indicate that there may have been a composition effect of this nature on wage growth as a consequence of furloughs in connection with the corona pandemic.[2] The statistics include only persons who receive wages during the reference period (third week in May), which means that full-time furloughed employees who receive unemployment benefit from NAV after the period of employer responsibility, and other persons who are no longer in work, do not form part of the statistics population.[3]

Figure 1 shows growth in average monthly basic earnings in 2020 Q2 relative to the same quarter in 2019, by industry. The horizontal line shows corresponding growth in average monthly basic earnings for all industries as an aggregate. The figure shows average growth in average monthly basic earnings of 4.2 per cent from 2019 Q2 to 2020 Q2. Growth was 0.7 percentage point higher than the previous quarter, and may possibly be due to a change in the composition of jobs (employment) as a consequence of furloughs (and termination of employment) during the corona pandemic – i.e. a composition effect.[4]

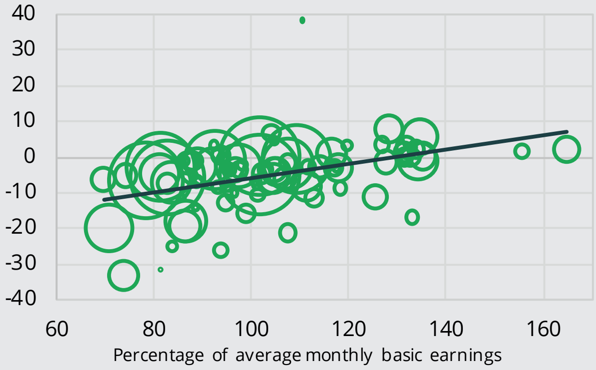
To illustrate the effect of changes in the composition of jobs on growth in average monthly basic earnings, Figure 2 shows the percentage change in number of jobs from 2019 Q2 to 2020 Q2 in a more detailed breakdown of industries. The data are sorted according to average monthly basic earnings in the industry in 2019 Q2 relative to average monthly basic earnings across all industries in the same quarter. The largest percentage declines in number of jobs are found in industries where the average monthly basic earnings is below the average for all industries, which in turn pushes up growth in average monthly basic earnings for all industries. In other words, the figure illustrates a composition effect across industries.

The far right in Figure 1 shows growth in average monthly basic earnings from 2019 Q2 to 2020 Q2 in accommodation

[1] The calculation of annual wages in the national accounts is not affected by the number of business days.

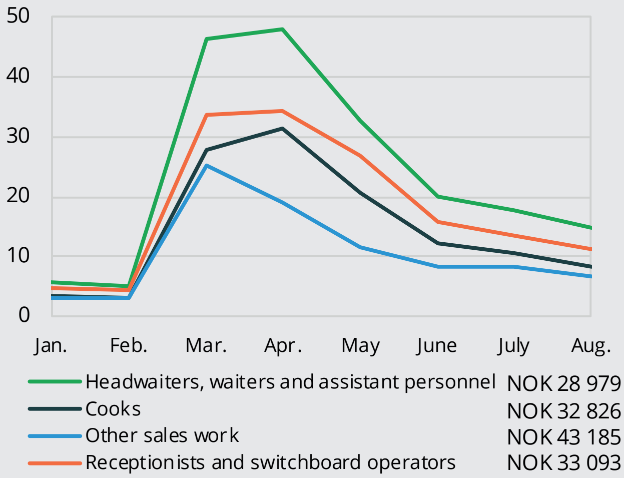
[2] In the quarterly wage statistics, the concept of wage is based on monthly rather than annual wage.
[3] The focus in this box is on layoffs with a duration of over 90 days, and the effects these can have on average annual wage growth. At the same time, it is natural to assume that a certain share of layoffs will end with termination of employment before 90 days have elapsed. The associated change in the statistics population can then be said to be part of the composition effect due to layoffs.
[4] Growth in average monthly basic earnings may also be due to factors other than composition effects, such as increased hourly rate of pay. This is referred to as a wage effect; see Brasch et al. (2017) for details.

Figure 2. Change in number of jobs. 2020 Q2 relative to 2019 Q2



Source: Statistics Norway, Table 12314.
The horizontal axis shows average monthly basic earnings within each industry in 2019 Q2 as a percentage of average monthly basic earnings for all industries in 2019 Q2. The solid line shows the relationship (unweighted) between percentage change in number of jobs (employment) and percentage of average monthly basic earnings. Industries for which the average monthly basic earnings for 2019 Q2 are not available are not included.

Figure 3. Fully unemployed. Four largest occupations in accommodation and food service activities January–August 2020



Sources: NAV; Statistics Norway, Table 11654, Table 11658 and 'A-meldingen' (November 2018).
The occupational codes are based on NAV's occupational codes (fine breakdown). Average monthly basic earnings for 2019 Q2 (shown in figure) are estimated as the weighted average across occupations within each of NAV's occupational codes (detailed breakdown), with number of jobs (employment) in 2019 Q2 as weights.

and food service activities, which was about 1.5 percentage points higher than the two other industries with over-average growth in average monthly basic earnings (personal services and agriculture, forestry and fishing). The reason for the high wage growth in accommodation and food service activities is that the increase in registered unemployment in this industry is concentrated among low-wage occupations; i.e. an intra-industry composition effect.

To illustrate this composition effect, Figure 3 shows the percentage of the four largest occupational groups in the accommodation and food services industry registered with NAV as fully unemployed in the period January to August 2020, and the average monthly basic earnings for each occupational group in 2019 Q2.[5] The largest increase in the percentage of fully unemployed took place in the occupational group ''Headwaiters, waiters and assistant personnel', which accounted for 40.2 per cent of the jobs in the accommodation and food services industry.[6] The four occupations combined accounted for 76.8 per cent of all jobs in the industry.[7] The average monthly basic earnings for the occupational group ''Headwaiters, waiters and assistant personnel' in 2019 Q2 (NOK 28 979) was less than the average for the industry as a whole in the same quarter (NOK 43 390), while the share of fully unemployed in this occupational group was 32.8 per cent in May (reference month for quarterly wage statistics). This composition effect pushes up growth in average monthly basic earnings from 2019 Q2 to 2020 Q2 for accommodation and food service activities because the share of wage-earners in low-wage occupations in the industry is reduced relatively more than in occupations in the industry with a higher wage level.

How much the composition effect both within and across industries on average monthly basic earnings will be reflected in the growth in annual average wages from 2019 to 2020 depends partly on whether full-time furloughs last longer than 90 days. If they do, laid-off wage-earners will no longer be included as employed (with a basic monthly earnings) in the national accounts, and this will then affect both average annual wages within an industry and the industry's contribution to the overall average annual wage. At the same time, figures from experimental monthly statistics on jobs and payment in cash based on the 'A-ordning' (employment reporting system) for July indicate that the decline in the number of jobs is slowing. In addition, the number furloughed registered with NAV is declining.[8] This suggests that developments in the labour market after 2020 Q2 may potentially curb the extent of composition effects shown in the Q2 figures above.

References

Berge, C., Horgen, E. and Grini, H. (2020). Jobb-bunnen kan være passert [The job trough may lie behind us]. Statistics Norway.

Brasch, T. v., Dapi, B., & Sparrman, V. (2017). Sammensetningseffekter mellom næringer og veksten i gjennomsnittlig årslønn [Composition effects among industries and growth in annual average wages] Notater 2017/45. Statistics Norway.

[5] Note that the percentage of fully unemployed also includes fully unemployed who have not been furloughed.
[6] The calculation of the share of jobs in each of NAV's occupation codes (detailed breakdown) within each industry is based on the A-melding for November 2018, in which jobs are used (i) for which there is positive payment in cash, (ii) which are classified as ordinary jobs, and (iii) for which there is an industry code at enterprise level and an occupation code for the job.
[7] The assignment of occupations to industries is not a one-to-one relationship. According to the A-melding of November 2018, 74.0 per cent of all jobs in the occupational group 'Head waiters, waiters and assistant personnel' and 64.4 percent of all jobs in the occupational group 'Cooks' come under the industry accommodation and food service activities, while corresponding figures for the occupational groups 'Other sales work' and 'Receptionists and switchboard operators' are 13.1 and 40.5 per cent, respectively.
[8] See Berge et al. (2020) for more details about developments in number of jobs and layoffs after 2020 Q2.

in some service groups that were affected by the tax changes dwindled away in April, and prices were estimated when calculating the consumer price index. With a gradual re-opening of services, price movements for most service groups in the CPI are again based on submitted price statements. In the CPI, tax changes have so far been treated in such a way that they are only incorporated when the price base is no longer estimated. Most tax changes were phased in in July. The exception is prices for foreign travel and package tours, which are still estimated on the basis of underlying seasonal factors. The most recent passenger figures from Avinor, where air passenger traffic is again falling to very low levels following the holiday period, indicate that removal of the air passenger tax will have little effect on this year's CPI. Because of the general uncertainty it is difficult to forecast what effect these tax relief measures will have. We assume for the present that lower value-added tax and special taxes will push down CPI inflation by an annualised 0.2 percentage point this year.

The Storting will decide on next year's taxes on goods andwhen the National Budget is considered in the autumn. In this projection we have assumed that the reduced rate of VAT on services will be reversed, but that the reduced sugar tax will be continued. On balance, these measures are expected to push up CPI inflation by 0.1 percentage point next year. Other special tax rates have been adjusted for inflation. For the present, we assume that the special taxes for the years 2022-–2023 will have a neutral effect on CPI inflation.

A weak krone, particularly this spring, has caused imported price inflation to increase this year. This is reflected both directly, in consumer prices, and indirectly through increased costs to the business sector for intermediate input and investment. Thus inflation is also influenced in the longer run by time lags in the re-pricing of products, even though the krone has rebounded to some extent. Countering this effect are the direct and indirect effects of low wage growth and low energy prices. We assume that the rise in housing rents (observed and imputed), which count for about 20 per cent in the CPI-ATE, will contribute to curbing underlying inflation this year. We forecast that CPI-ATE inflation will be 3.1 per cent in 2020. Given the projected developments in energy prices and special taxes, CPI inflation this year will be 1.5 per cent.

In our projection, the krone exchange rate remains constant throughout the scenario. In the long term, the inflationary impulses generated by a weak krone will wane, which is an important factor causing underlying inflation to fall next year. We also assume that the global rise in prices for imported consumer goods will be weak in the years ahead. On balance, this will lead to moderate imported inflation further along the projection path, and in the longer term imported price inflation will move towards global price inflation for imported products. In 2021, moderate wage growth, increased productivity growth with more normal capacity utilisation, and reduced inflationary impulses from imported products will lead to CPI-ATE inflation falling to 2.2 per cent. Given the energy prices and taxes upon which projections are based, CPI inflation for 2021 is expected to be 2.9 per cent, which is 0.7 percentage point higher than CPI-ATE inflation. In 2022 and 2023, CPI-ATE inflation will continue to slightly exceed Norges Bank's inflation target. CPI inflation is projected to be close to CPI-ATE inflation for these years. Wage growth increases later in the projection scenario, but productivity growth and low imported inflation curb the effects of the increased wage growth on inflation.

Table 4. National accounts: Final expenditure and gross domestic product. At constant 2017 prices. NOK million

	Unadjusted		Seasonally adjusted								
	2018	2019	18.2	18.3	18.4	19.1	19.2	19.3	19.4	20.1	20.2
Final consumption expenditure of households and NPISHs	1 500 206	1 522 201	377 804	376 433	379 246	381 925	382 274	383 373	382 436	366 015	326 437
Household final consumption expenditure	1 417 981	1 437 353	357 206	355 813	358 284	360 757	360 991	361 958	360 962	345 420	309 917
Goods	640 205	640 576	162 622	160 577	161 111	162 276	162 259	161 159	160 675	158 557	166 529
Services	701 524	720 203	175 355	176 719	177 104	178 735	179 695	181 062	182 432	172 686	143 334
Direct purchases abroad by resident households	122 364	124 765	30 668	30 085	31 533	31 507	31 028	31 732	30 513	24 270	1 141
Direct purchases by non-residents	-46 112	-48 190	-11 438	-11 567	-11 463	-11 760	-11 990	-11 996	-12 659	-10 093	-1 086
Final consumption expenditure of NPISHs	82 224	84 848	20 598	20 620	20 962	21 168	21 282	21 415	21 474	20 595	16 519
Final consumption expenditure of general government	801 937	815 871	200 438	200 551	200 739	201 971	203 380	204 547	205 942	205 541	200 976
Final consumption expenditure of central government	392 673	399 263	98 139	98 335	98 102	98 665	99 460	100 223	100 944	101 050	99 790
Central government, civilian	346 289	351 493	86 519	86 731	86 556	86 926	87 568	88 251	88 780	89 056	87 481
Central government, defence	46 385	47 770	11 621	11 604	11 547	11 739	11 892	11 972	12 163	11 993	12 309
Final consumption expenditure of local government	409 264	416 608	102 299	102 216	102 637	103 306	103 920	104 324	104 998	104 491	101 186
Gross fixed capital formation	832 088	883 233	208 702	209 174	214 684	212 494	219 685	225 157	225 253	213 797	206 478
Extraction and transport via pipelines	152 688	172 288	38 699	39 375	41 022	39 541	43 107	43 638	45 944	43 563	40 679
Ocean transport	763	3 058	17	-214	473	372	658	804	1 224	1 897	66
Mainland Norway	678 637	707 887	169 986	170 013	173 189	172 581	175 920	180 716	178 085	168 338	165 733
Industries	303 888	320 838	76 927	75 550	78 925	78 683	78 341	81 587	81 887	77 328	72 074
Service activities incidential to extraction	5 966	8 682	1 623	1 326	1 737	1 925	2 268	2 149	2 326	1 605	1 475
Other services	183 409	186 831	45 842	45 479	47 856	46 859	46 071	47 173	46 575	45 970	42 270
Manufacturing and mining	44 194	55 237	11 452	11 073	11 602	12 811	13 133	14 560	14 654	12 742	11 517
Production of other goods	70 318	70 088	18 009	17 672	17 730	17 089	16 869	17 706	18 332	17 011	16 812
Dwellings (households)	187 929	186 205	46 467	46 149	46 873	47 016	47 164	46 889	45 101	42 926	43 323
General government	186 820	200 844	46 592	48 314	47 392	46 881	50 415	52 240	51 097	48 084	50 336
Acquisitions less disposals of valuables	416	439	108	103	103	112	108	110	109	98	13
Changes in stocks and statistical discrepancies	110 952	102 398	26 428	25 253	28 759	29 859	29 439	25 632	20 054	24 826	13 815
Gross capital formation	943 456	986 070	235 237	234 530	243 547	242 466	249 232	250 900	245 416	238 721	220 306
Final domestic use of goods and services	3 245 599	3 324 141	813 479	811 515	823 532	826 362	834 885	838 819	833 794	810 277	747 719
Final demand from Mainland Norway	2 980 780	3 045 958	748 228	746 997	753 175	756 477	761 573	768 636	766 462	739 894	693 146
Final demand from general government	988 758	1 016 714	247 030	248 866	248 131	248 852	253 795	256 787	257 039	253 625	251 312
Total exports	1 194 483	1 211 827	299 796	303 356	297 774	304 048	301 358	296 703	313 120	310 239	283 267
Traditional goods	388 242	407 109	96 387	97 365	100 850	103 867	101 516	101 395	102 784	99 923	91 515
Crude oil and natural gas	437 789	419 079	109 309	112 166	107 652	105 329	102 431	97 775	114 102	111 713	112 312
Ships, oil platforms and planes	10 991	11 316	3 623	2 832	863	2 876	4 450	2 531	1 459	3 188	1 410
Services	357 461	374 324	90 478	90 993	88 410	91 978	92 961	95 002	94 775	95 416	78 030
Total use of goods and services	4 440 082	4 535 968	1 113 275	1 114 870	1 121 307	1 130 410	1 136 243	1 135 522	1 146 914	1 120 517	1 030 986
Total imports	1 102 205	1 159 548	279 287	275 094	279 658	288 332	292 302	291 712	290 339	278 477	232 036
Traditional goods	652 115	689 268	164 227	163 610	166 770	176 256	175 135	172 082	169 423	167 578	154 407
Crude oil and natural gas	19 101	20 932	5 080	4 384	4 402	4 094	4 091	5 954	6 400	5 956	4 072
Ships, oil platforms and planes	35 739	34 029	10 504	8 067	8 790	6 696	9 992	9 139	8 203	8 268	8 906
Services	395 250	415 319	99 477	99 033	99 696	101 287	103 083	104 538	106 313	96 676	64 652
Gross domestic product (market prices)	3 337 877	3 376 421	833 988	839 776	841 649	842 079	843 942	843 810	856 575	842 040	798 949
Gross domestic product Mainland Norway (market prices)	2 853 368	2 919 673	712 979	715 231	723 509	727 010	731 153	735 582	736 579	720 328	675 265
Petroleum activities and ocean transport	484 509	456 747	121 009	124 545	118 140	115 068	112 789	108 228	119 996	121 711	123 685
Mainland Norway (basic prices)	2 473 955	2 535 192	618 512	620 244	628 445	631 028	635 211	639 301	640 020	627 389	586 803
Mainland Norway excluding general government	1 847 520	1 897 267	462 441	463 124	470 497	472 575	476 182	479 514	479 395	469 030	435 720
Manufacturing and mining	217 915	224 947	54 861	55 395	56 249	56 314	57 203	57 283	57 279	56 388	52 594
Production of other goods	330 307	336 888	82 233	80 972	84 618	83 475	84 823	85 763	84 616	83 789	82 790
Services incl. dwellings (households)	1 299 299	1 335 432	325 346	326 757	329 629	332 787	334 156	336 468	337 500	328 852	300 336
General government	626 435	637 925	156 072	157 119	157 949	158 452	159 029	159 788	160 625	158 359	151 083
Taxes and subsidies products	379 413	384 481	94 467	94 988	95 064	95 983	95 942	96 281	96 559	92 939	88 462

Source: Statistics Norway.

Table 5. National accounts: Final expenditure and gross domestic product. At constant 2017 prices. Percentage change from previous period

	Unadjusted		Seasonally adjusted								
	2018	2019	18.2	18.3	18.4	19.1	19.2	19.3	19.4	20.1	20.2
Final consumption expenditure of households and NPISHs	1.9	1.5	1.4	-0.4	0.7	0.7	0.1	0.3	-0.2	-4.3	-10.8
Household final consumption expenditure	1.8	1.4	1.4	-0.4	0.7	0.7	0.1	0.3	-0.3	-4.3	-10.3
Goods	0.7	0.1	1.6	-1.3	0.3	0.7	0.0	-0.7	-0.3	-1.3	5.0
Services	2.3	2.7	1.0	0.8	0.2	0.9	0.5	0.8	0.8	-5.3	-17.0
Direct purchases abroad by resident households	4.2	2.0	1.5	-1.9	4.8	-0.1	-1.5	2.3	-3.8	-20.5	-95.3
Direct purchases by non-residents	0.3	4.5	-1.5	1.1	-0.9	2.6	2.0	0.0	5.5	-20.3	-89.2
Final consumption expenditure of NPISHs	4.1	3.2	1.3	0.1	1.7	1.0	0.5	0.6	0.3	-4.1	-19.8
Final consumption expenditure of general government	1.4	1.7	0.1	0.1	0.1	0.6	0.7	0.6	0.7	-0.2	-2.2
Final consumption expenditure of central government	0.8	1.7	0.0	0.2	-0.2	0.6	0.8	0.8	0.7	0.1	-1.2
Central government, civilian	0.8	1.5	0.0	0.2	-0.2	0.4	0.7	0.8	0.6	0.3	-1.8
Central government, defence	1.3	3.0	0.1	-0.1	-0.5	1.7	1.3	0.7	1.6	-1.4	2.6
Final consumption expenditure of local government	1.9	1.8	0.2	-0.1	0.4	0.7	0.6	0.4	0.6	-0.5	-3.2
Gross fixed capital formation	2.8	6.1	5.0	0.2	2.6	-1.0	3.4	2.5	0.0	-5.1	-3.4
Extraction and transport via pipelines	1.9	12.8	15.4	1.7	4.2	-3.6	9.0	1.2	5.3	-5.2	-6.6
Ocean transport	-19.1	300.6	-96.6	..	-321.2	-21.3	76.8	22.1	52.3	55.0	-96.5
Mainland Norway	3.0	4.3	3.2	0.0	1.9	-0.4	1.9	2.7	-1.5	-5.5	-1.5
Industries	6.8	5.6	6.8	-1.8	4.5	-0.3	-0.4	4.1	0.4	-5.6	-6.8
Service activities incidential to extraction	40.7	45.5	28.7	-18.3	31.0	10.8	17.8	-5.3	8.2	-31.0	-8.1
Other services	3.7	1.9	4.1	-0.8	5.2	-2.1	-1.7	2.4	-1.3	-1.3	-8.0
Manufacturing and mining	16.7	25.0	14.9	-3.3	4.8	10.4	2.5	10.9	0.6	-13.0	-9.6
Production of other goods	7.3	-0.3	7.2	-1.9	0.3	-3.6	-1.3	5.0	3.5	-7.2	-1.2
Dwellings (households)	-6.2	-0.9	-4.0	-0.7	1.6	0.3	0.3	-0.6	-3.8	-4.8	0.9
General government	7.5	7.5	5.2	3.7	-1.9	-1.1	7.5	3.6	-2.2	-5.9	4.7
Acquisitions less disposals of valuables	7.2	5.6	5.4	-4.7	0.5	8.9	-4.1	2.0	-0.6	-10.7	-86.6
Changes in stocks and statistical discrepancies	3.2	-7.7	-23.0	-4.4	13.9	3.8	-1.4	-12.9	-21.8	23.8	-44.4
Gross capital formation	2.9	4.5	0.9	-0.3	3.8	-0.4	2.8	0.7	-2.2	-2.7	-7.7
Final domestic use of goods and services	2.1	2.4	0.9	-0.2	1.5	0.3	1.0	0.5	-0.6	-2.8	-7.7
Final demand from Mainland Norway	2.0	2.2	1.4	-0.2	0.8	0.4	0.7	0.9	-0.3	-3.5	-6.3
Final demand from general government	2.5	2.8	1.0	0.7	-0.3	0.3	2.0	1.2	0.1	-1.3	-0.9
Total exports	-0.2	1.5	1.0	1.2	-1.8	2.1	-0.9	-1.5	5.5	-0.9	-8.7
Traditional goods	2.0	4.9	0.3	1.0	3.6	3.0	-2.3	-0.1	1.4	-2.8	-8.4
Crude oil and natural gas	-4.8	-4.3	0.1	2.6	-4.0	-2.2	-2.8	-4.5	16.7	-2.1	0.5
Ships, oil platforms and planes	-38.2	3.0	-1.4	-21.8	-69.5	233.3	54.7	-43.1	-42.3	118.4	-55.8
Services	5.4	4.7	3.1	0.6	-2.8	4.0	1.1	2.2	-0.2	0.7	-18.2
Total use of goods and services	1.4	2.2	0.9	0.1	0.6	0.8	0.5	-0.1	1.0	-2.3	-8.0
Total imports	1.9	5.2	3.0	-1.5	1.7	3.1	1.4	-0.2	-0.5	-4.1	-16.7
Traditional goods	3.2	5.7	2.0	-0.4	1.9	5.7	-0.6	-1.7	-1.5	-1.1	-7.9
Crude oil and natural gas	39.0	9.6	5.3	-13.7	0.4	-7.0	-0.1	45.5	7.5	-6.9	-31.6
Ships, oil platforms and planes	-19.3	-4.8	25.4	-23.2	9.0	-23.8	49.2	-8.5	-10.2	0.8	7.7
Services	0.9	5.1	2.6	-0.4	0.7	1.6	1.8	1.4	1.7	-9.1	-33.1
Gross domestic product (market prices)	1.3	1.2	0.3	0.7	0.2	0.1	0.2	0.0	1.5	-1.7	-5.1
[Gross domestic product Mainland Norway (market prices)	2.2	2.3	0.4	0.3	1.2	0.5	0.6	0.6	0.1	-2.2	-6.3
Petroleum activities and ocean transport	-3.7	-5.7	-0.6	2.9	-5.1	-2.6	-2.0	-4.0	10.9	1.4	1.6
Mainland Norway (basic prices)	2.4	2.5	0.6	0.3	1.3	0.4	0.7	0.6	0.1	-2.0	-6.5
Mainland Norway excluding general government	2.3	2.7	0.6	0.1	1.6	0.4	0.8	0.7	0.0	-2.2	-7.1
Manufacturing and mining	0.8	3.2	0.9	1.0	1.5	0.1	1.6	0.1	0.0	-1.6	-6.7
Production of other goods	2.0	2.0	-1.5	-1.5	4.5	-1.4	1.6	1.1	-1.3	-1.0	-1.2
Services incl. dwellings (households)	2.6	2.8	1.1	0.4	0.9	1.0	0.4	0.7	0.3	-2.6	-8.7
General government	2.6	1.8	0.5	0.7	0.5	0.3	0.4	0.5	0.5	-1.4	-4.6
Taxes and subsidies products	1.0	1.3	-0.4	0.6	0.1	1.0	0.0	0.4	0.3	-3.7	-4.8

Source: Statistics Norway.

Table 6. National accounts: Final expenditure and gross domestic product. Price indices. 2017=100

	Unadjusted		Seasonally adjusted								
	2018	2019	18.2	18.3	18.4	19.1	19.2	19.3	19.4	20.1	20.2
Final consumption expenditure of households and NPISHs	102.2	104.5	101.8	102.5	103.2	103.7	104.2	104.3	105.4	105.5	106.6
Final consumption expenditure of general government	103.1	106.2	102.7	103.4	104.3	105.3	105.6	106.9	107.3	109.0	112.8
Gross fixed capital formation	102.3	104.9	101.8	102.7	103.3	103.8	104.7	105.3	105.8	106.4	108.9
Mainland Norway	102.7	105.2	102.4	103.3	103.6	104.4	105.0	105.4	106.0	106.3	108.1
Final domestic use of goods and services	102.5	104.9	102.6	103.1	103.2	104.3	104.4	104.8	105.9	107.1	108.1
Final demand from Mainland Norway	102.6	105.1	102.2	102.9	103.6	104.3	104.8	105.3	106.0	106.7	108.7
Total exports	113.6	108.2	112.1	117.7	115.5	110.1	108.4	106.5	107.6	103.2	92.9
Traditional goods	105.9	106.2	106.0	106.4	106.5	104.9	106.3	105.4	107.6	108.3	103.2
Total use of goods and services	105.5	105.8	105.2	107.1	106.4	105.9	105.5	105.3	106.3	106.0	103.9
Total imports	104.5	107.7	104.4	105.2	105.1	105.9	107.1	108.2	109.4	109.4	113.9
Traditional goods	104.5	107.1	104.4	105.4	105.4	105.5	106.9	107.4	108.6	108.7	113.3
Gross domestic product (market prices)	105.8	105.1	105.4	107.7	106.9	105.9	104.9	104.3	105.3	104.9	101.0
Gross domestic product Mainland Norway (market prices)	101.9	104.1	101.6	101.9	103.1	103.4	103.8	104.3	104.8	106.2	107.1

Source: Statistics Norway.

Table 7. National accounts: Final expenditure and gross domestic product. Price indices. Percentage change from previous period

	Unadjusted		Seasonally adjusted								
	2018	2019	18.2	18.3	18.4	19.1	19.2	19.3	19.4	20.1	20.2
Final consumption expenditure of households and NPISHs	2.2	2.3	0.8	0.6	0.8	0.5	0.4	0.1	1.0	0.1	1.0
Final consumption expenditure of general government	3.1	3.0	0.7	0.7	0.9	0.9	0.3	1.2	0.4	1.6	3.4
Gross fixed capital formation	2.3	2.5	0.4	1.0	0.6	0.4	0.9	0.5	0.5	0.6	2.3
Mainland Norway	2.7	2.4	0.7	0.9	0.3	0.8	0.5	0.4	0.5	0.4	1.7
Final domestic use of goods and services	2.5	2.4	1.2	0.4	0.1	1.1	0.1	0.4	1.0	1.2	0.9
Final demand from Mainland Norway	2.6	2.5	0.7	0.7	0.7	0.7	0.4	0.5	0.7	0.6	1.9
Total exports	13.6	-4.8	3.0	5.0	-1.9	-4.7	-1.6	-1.7	1.0	-4.1	-10.0
Traditional goods	5.9	0.3	2.1	0.3	0.1	-1.5	1.3	-0.9	2.1	0.7	-4.7
Total use of goods and services	5.5	0.3	1.7	1.8	-0.6	-0.5	-0.4	-0.2	1.0	-0.3	-2.0
Total imports	4.5	3.1	1.2	0.8	-0.1	0.7	1.1	1.0	1.1	0.0	4.1
Traditional goods	4.5	2.5	1.6	1.0	0.0	0.1	1.3	0.5	1.1	0.1	4.3
Gross domestic product (market prices)	5.8	-0.6	1.9	2.1	-0.7	-0.9	-0.9	-0.6	1.0	-0.3	-3.8
Gross domestic product Mainland Norway (market prices)	1.9	2.2	0.6	0.4	1.1	0.3	0.3	0.5	0.5	1.3	0.8

Source: Statistics Norway.

Main economic indicators 2010-2023

Accounts and forecasts. Percentage change from previous year unless otherwise noted

										Forecasts			
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Demand and output														
Consumption in households etc.	3.8	2.4	3.5	2.8	2.1	2.7	1.1	2.2	1.9	1.5	-7.2	7.9	4.7	3.5
General government consumption	2.2	1.1	1.5	1.0	2.7	2.4	2.3	1.9	1.4	1.7	1.5	2.1	2.0	1.6
Gross fixed investment	-6.4	7.5	7.5	6.3	-0.3	-4.0	3.9	2.6	2.8	6.1	-5.7	-1.5	1.8	2.9
Extraction and transport via pipelines	-8.0	11.4	14.6	19.0	-1.8	-12.2	-16.0	-5.4	1.9	12.8	-3.1	-10.1	1.1	7.3
Mainland Norway	-6.4	5.0	7.4	2.9	0.4	-0.2	9.0	6.8	3.0	4.3	-6.2	0.7	2.0	2.0
Industries	-9.2	1.1	10.5	-3.2	-0.7	-2.8	12.6	9.2	6.8	5.6	-9.8	-1.3	2.4	3.6
Housing	-1.6	17.0	10.9	5.3	-1.4	3.2	6.6	7.3	-6.2	-0.9	-6.9	3.4	3.1	1.7
General government	-5.3	1.1	-1.8	11.8	4.5	0.2	6.4	2.6	7.5	7.5	0.0	1.3	0.4	-0.1
Demand from Mainland Norway[1]	1.2	2.5	3.7	2.3	1.9	2.0	3.1	3.1	2.0	2.2	-4.7	4.6	3.4	2.6
Exports	0.6	-0.8	1.7	-1.8	3.4	4.3	1.1	1.7	-0.2	1.5	-4.1	4.2	5.1	3.7
Traditional goods	3.3	-0.1	-0.2	1.3	3.1	6.9	-8.6	1.7	2.0	4.9	-7.3	4.3	6.3	5.0
Crude oil and natural gas	-6.9	-5.6	0.5	-5.5	2.7	2.1	4.9	5.1	-4.8	-4.3	7.4	6.5	3.4	2.2
Imports	8.4	3.9	2.9	5.0	2.0	1.9	2.7	1.9	1.9	5.2	-13.0	4.3	5.9	4.4
Traditional goods	9.2	4.6	2.2	1.8	1.9	2.8	-0.2	3.8	3.2	5.7	-5.0	1.1	3.5	2.9
Gross domestic product	0.7	1.0	2.7	1.0	2.0	2.0	1.1	2.3	1.3	1.2	-1.9	3.7	3.0	2.6
Mainland Norway	1.9	1.9	3.7	2.3	2.2	1.4	0.9	2.0	2.2	2.3	-3.2	3.6	2.9	2.7
Manufacturing	2.1	1.7	2.0	3.3	2.8	-4.6	-4.2	0.0	0.8	3.2	-4.9	3.7	5.0	2.4
Labour market														
Total hours worked. Mainland Norway	0.2	1.7	1.7	0.4	1.4	0.7	0.6	0.3	1.8	1.8	-3.0	2.0	1.5	0.8
Employed persons	-0.3	1.4	2.0	1.1	1.0	0.5	0.3	1.2	1.6	1.6	-2.0	0.4	1.4	1.2
Labor force	0.6	1.3	1.5	1.2	0.7	1.5	0.2	-0.2	1.4	1.0	-0.1	-0.1	0.9	0.9
Participation rate (level)	71.7	71.5	71.4	71.2	70.7	71.0	70.4	69.7	70.2	70.5	70.1	69.9	70.3	70.7
Unemployment rate (level)	3.8	3.4	3.3	3.8	3.6	4.5	4.7	4.2	3.8	3.7	4.9	4.5	4.3	4.1
Prices and wages														
Wages per standard man-year	3.7	4.2	4.0	3.9	3.1	2.8	1.7	2.3	2.8	3.5	2.0	2.3	3.5	3.6
Consumer price index (CPI)	2.5	1.2	0.8	2.1	2.0	2.1	3.6	1.8	2.7	2.2	1.5	2.9	2.1	2.3
CPI-ATE[2]	1.4	0.9	1.2	1.6	2.4	2.7	3.0	1.4	1.6	2.2	3.1	2.2	2.1	2.2
Export prices. traditional goods	4.5	5.8	-1.9	2.7	3.4	2.0	4.0	5.2	5.9	0.3	-2.4	1.9	3.3	2.6
Import prices. traditional goods	0.0	4.0	0.3	1.4	4.3	4.6	1.7	3.5	4.5	2.5	2.4	1.9	1.8	2.1
Housing prices	8.2	8.0	6.8	4.0	2.7	6.1	7.0	5.0	1.4	2.5	3.2	3.9	2.7	3.1
Income. interest rates and excange rate														
Household real income	2.8	4.3	4.4	4.0	2.3	5.4	-1.6	2.0	1.5	3.2	2.0	1.8	1.8	2.2
Household saving ratio (level)	3.7	5.8	6.9	7.2	7.7	9.8	6.9	6.6	5.9	8.0	15.1	9.7	7.4	6.6
Norges Bank's policy rate (level)	10.0	11.5	8.9	7.0	6.8	5.1	4.3	3.6	4.3	6.2	0.7	0.3	0.6	1.0
Lending rate. credit loans(level)[3]	3.4	3.6	3.9	4.0	3.9	3.2	2.6	2.6	2.7	3.0	2.5	1.9	2.2	2.5
Real after-tax lending rate. banks (level)	0.1	1.3	2.1	0.8	0.8	0.1	-1.6	0.1	-0.7	0.2	0.4	-0.5	-0.3	-0.1
Importweighted krone exchange rate (44 countries)[4]	-3.7	-2.4	-1.2	2.2	5.3	10.5	1.8	-0.8	0.1	2.9	6.5	-1.5	0.0	0.0
NOK per euro (level)	8.01	7.79	7.47	7.81	8.35	8.95	9.29	9.33	9.60	9.85	10.69	10.67	10.67	10.67
Current account														
Current balance (bill. NOK)[5]	281	346	374	317	341	250	138	152	252	145	124	113	140	147
Current account (per cent of GDP)	10.8	12.4	12.6	10.3	10.8	8.0	4.5	4.6	7.1	4.1	3.6	3.1	3.6	3.6
International indicators														
Exports markets indicator	11.1	6.1	1.1	1.9	4.8	5.3	3.9	5.6	3.8	2.6	-15.8	10.0	7.7	4.4
Consumer price index. euro-area	1.6	2.7	2.5	1.4	0.4	0.2	0.2	1.5	1.8	1.2	0.3	0.8	1.5	1.9
Money market rate. euro(level)	0.8	1.4	0.6	0.2	0.2	0.0	-0.3	-0.3	-0.3	-0.4	-0.6	-0.6	-0.3	0.0
Crude oil price US dollar (level)[6]	80	111	112	109	100	53	45	55	72	64	42	43	46	48
Crude oil price NOK (level)[6]	485	622	650	639	627	431	379	452	583	564	395	388	415	434

[1] Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in mainland Norway.
[2] CPI adjusted for tax changes and excluding energy products.
[3] Yearly average. Credit lines, secured on dwellings.
[4] Increasing index implies depreciation.
[5] Current account not adjusted for saving in pension funds.
[6] Average spot price Brent Blend.
Source: Statistics Norway. The cut-off date for information was September 9 2020.