TALL SOM FORTELLER

Statistisk sentralbyrå
Statistics Norway

Economic Survey

2021 / 3

Economic developments in Norway

Contents

Boxes

Tables

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 1 September 2021
Published 3 September 2021

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Not for publication	: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

Economic developments in Norway

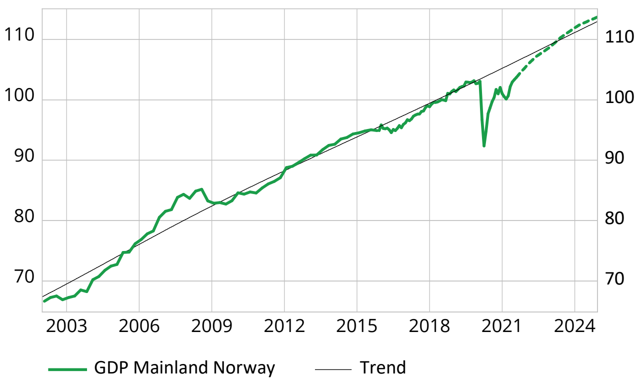
The reopening of society is well under way, and activity in the Norwegian economy has increased in recent months. After the first lockdown, mainland GDP fell by over 10 per cent from February to April last year, according to the monthly national accounts. Activity picked up markedly up to October last year, but then declined slightly in the winter as a consequence of new waves of infection, both in Norway and worldwide. Through the spring and summer, low infection rates, increased vaccination and easing of national restrictions have prompted a rebound in economic activity. In June, mainland GDP had reverted to the same level as before the pandemic struck in March last year. Activity is

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

	2019	2020	Seasonally adjusted			
			20:3	20:4	21:1	21:2
Demand and output						
Consumption in households etc.	1.4	-6.9	9.3	0.3	-3.6	3.4
General government consumption	1.9	1.7	3.1	2.4	-1.5	1.9
Gross fixed investment	4.8	-3.8	-1.2	1.5	-2.9	2.8
Extraction and transport via pipelines	12.6	-4.1	-4.4	3.6	-3.5	4.3
Mainland Norway	4.0	-4.1	-1.1	1.1	-2.8	3.3
Final domestic demand from Mainland Norway[1]	2.1	-3.9	5.0	1.1	-2.8	2.9
Exports	0.5	-0.5	3.4	2.4	-1.8	3.9
Traditional goods	4.6	-2.2	8.3	3.2	1.9	0.5
Crude oil and natural gas	-4.3	10.1	0.4	1.5	-6.1	8.9
Imports	4.7	-11.9	9.5	0.5	-4.9	3.9
Traditional goods	5.7	-2.6	12.8	2.1	-5.0	7.0
Gross domestic product	0.9	-0.8	4.3	0.8	-0.6	1.1
Mainland Norway	2.3	-2.5	4.9	2.0	-1.0	1.4
Labour market						
Total hours worked. Mainland Norway	1.8	-2.1	3.9	0.2	-0.7	0.7
Employed persons	1.6	-1.3	-0.0	0.9	-0.4	0.4
Labour force[2]	1.0	0.4	0.7	0.4	..	..
Unemployment rate. level[2]	3.7	4.6	5.3	5.0	..	..
Prices and wages						
Annual earings	3.5	3.1	..	..	..	..
Consumer price index (CPI)[3]	2.2	1.3	0.6	0.1	1.8	0.2
CPI adjusted for tax changes and excluding energy products (CPI-ATE)[3]	2.2	3.0	1.0	0.1	0.5	0.1
Export prices. traditional goods	0.7	-3.4	-4.1	1.9	5.5	4.8
Import prices. traditional goods	2.5	4.2	-2.2	-0.8	1.9	2.1
Balance of payment						
Current balance. bill. NOK[4]	102	67	17	5	94	..
Memorandum items (unadjusted level)						
Money market rate (3 month NIBOR)	1.1	0.4	0.0	0.0	0.0	0.0
Lending rate. credit loans[5]	0.8	0.6	2.1	2.1	2.1	2.0
Crude oil price NOK[6]	564	407	396	408	521	577
Importweighted krone exchange rate. 44 countries. 1995=100	107.6	114.9	113.3	114.1	109.2	107.4
NOK per euro	9.85	10.72	10.67	10.76	10.26	10.09

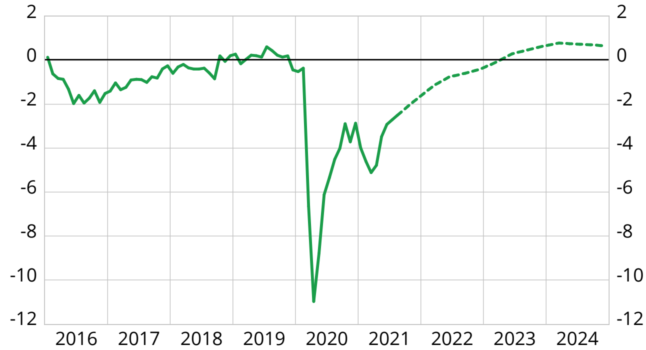
[1] Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in Mainland Norway.
[2] According to Statistics Norway›s labour force survey (LFS).
[3] Percentage change from the same period the previous year.
[4] Current account not adjusted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

Figure 1. GDP Mainland Norway and estimated trend
Seasonally adjusted, index 2018 = 100



* Quarterly figures before 2016, monthly after. The trend is estimated by an HP-filter (lambda = 40 000 quarterly), but such that the trend is not directly affected by the developement of economic activity in 2020 and 2021
Source: Statistics Norway

Figure 2. Output gap, Mainland Norway
Deviation form estimated trend GDP in percent



Source: Statistics Norway

nonetheless around 2.5 per cent lower than what we regard as the trend level for the economy. Economic growth is expected to continue going forward. While the Delta variant of the COVID-19 virus has led to an increase in the numbers affected, both in Norway and worldwide, a steady increase in the share of the population that is vaccinated means that far fewer of those infected are hospitalised. We assume that the re-opening of society will continue through the autumn. In 2022, economic activity is expected to pick up appreciably in pace with the further re-opening, particularly in those industries that were hardest hit by the infection control measures.

Many fiscal measures were implemented to counter the economic impact of the pandemic. Calculations indicate that the measures implemented in 2020 pushed up mainland economic activity that year by 0.5 per cent.[1] According to the Revised National Budget (RNB), grants made in 2021 and the long-term effects of last year's measures will boost mainland GDP by 1.4 per cent this year. The structural, non-oil budget deficit for 2021 is projected in the RNB to be NOK 402.6 billion. This is equivalent to 3.7 per cent of the market value of the Government Pension Fund Global (the oil fund) at the beginning of the year. According to the fiscal rule, the use of petroleum revenue over time is to be equivalent to 3 per cent of the value of the oil fund, but strong emphasis is also to be placed on smoothing fluctuations in the economy, to ensure good capacity utilisation and low unemployment, as was done in 2020 and to date in 2021. As a result of the phasing out of the extraordinary COVID measures, the budget balance will be reduced to just under 3 per cent of the fund in 2022 already.

Household consumption is rising again. After a temporary slump in Q1 this year, overall consumption picked up in Q2. This rebound reflected a lower rate of infection and easing of infection control measures. Growth was particularly strong in May, but continued in June. Vaccination of the population, the reopening of the economy and pent-up household demand will boost consumption going forward. According to our projections, aggregate consumption will rise to the same level as prior to the COVID crisis towards the end of 2021, and grow further by close to 8 per cent in 2022. With prospects of growth in real disposable income, but weak developments in real house prices, and hence also in real wealth, consumption is forecast to grow in the area of 3.5–4 per cent in 2023 and 2024. The saving ratio is expected to fall from a record-high 15.4 per cent last year to between 13 and 14 per cent this year, gradually declining to around 7.5 per cent in 2024, which is approximately 0.5 percentage point higher than the average annual saving ratio for the decade 2010–2019.

The rise in house prices has been high this past year, indicating that the record-low mortgage rates and to some extent enforced saving have outweighed other factors such as moderate income growth and weak population growth. Prices in Q2 this year were more than 12 per cent higher than prices in Q2 last year. In recent months, however, there are signs that the rise in house prices is slowing. We therefore forecast that house prices will remain at the current high level for the next few

[1] See Bjertnæs et al. (2021). COVID-19, tapt verdiskaping og finanspolitikkens rolle [COVID -19, lost value creation and the role of fiscal policy]. Reports 2021/13, Statistics Norway.

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

	QNA				Projection			
	2017	2018	2019	2020	2021	2022	2023	2024
GDP Mainland Norway	2.0	2.2	2.3	-2.5	3.6	3.8	2.6	2.3
with contributions from:								
Consumption by households and non-profit organisations	0.9	0.6	0.5	-2.6	1.5	2.9	1.5	1.3
General government consumption and investment	0.6	0.5	0.8	0.4	0.8	0.5	0.4	0.5
Petroleum investment	-0.2	0.0	0.3	-0.1	-0.1	-0.2	0.3	0.1
Housing investment	0.4	-0.4	-0.1	-0.2	0.3	0.3	0.1	0.1
Other mainland investment	0.5	0.2	0.3	-0.3	0.1	0.2	0.1	0.2
Exports from mainland Norway	-0.2	0.3	0.7	-1.3	0.7	1.2	0.7	0.6
Other factors etc.	0.1	1.1	-0.3	1.7	0.4	-1.0	-0.5	-0.5

[1] See explanation under Figure 3.
Source: Statistics Norway.

months, which implies a rise of up to 10 per cent as an annual average in 2021. A moderate increase in mortgage rates in the near future may curb the rise in prices. The high rise in house prices has made residential construction more profitable, housing investment has increased and our projections show that it will continue to rise into next year. This will exert downward pressure on house price inflation in the years ahead. Real house prices, adjusted for the rise in the consumer price index, therefore appear likely to remain unchanged up to 2024.

Overall petroleum investment fell by 4.1 per cent in 2020. The petroleum companies' investment plans imply that overall investment activity will decline a little this year and somewhat more next year. In line with market expectations, we assume that the oil price will gradually fall from the current level of around USD 70 to around USD 60 per barrel towards the end of 2024. Prospects of a relatively high oil price and the package of tax measures adopted by the Storting in June 2021 are likely to contribute to increased activity in 2023 and 2024, when petroleum investment is expected to rise by 10 and 5 per cent, respectively. Given these developments, overall demand from the petroleum investment will push up mainland GDP growth by 0.3 percentage point in 2023 (see Table 2). Even though we expect an increase in investment in 2023, the trend is for the importance of petroleum activities for the Norwegian economy to decrease steadily over time. Petroleum investment as a share of mainland GDP is expected to be barely 6 per cent in 2024, compared with 9 per cent in 2013. The Government recently submitted a proposal for restructuring petroleum taxation. Our projections are based on the current tax system. The newly proposed tax system increases the uncertainty associated with our projections for the years 2022–2024.

Business investment fell markedly in 2020, particularly in manufacturing. The decline has come to a halt, and there are now signs that investment will grow moderately in the years ahead. Enterprises in both manufacturing and services report increased investment this year, and even higher investment in 2022. Several large projects are planned in the fields of refined petroleum products, in chemicals and pharmaceuticals manufacturing, and in rubber, plastics and minerals. Many enterprises appear to be moving in a greener direction, and several battery factories and hydrogen plants are planned. Investment in power supply, on the other hand, appears to be declining, partly because several large wind farms are expected to be completed by the end of 2021. On balance we forecast that business investment will increase modestly this year, but that growth will then pick up to around 3 per cent annually up to 2024.

The krone depreciated sharply in March 2020. The euro cost around NOK 10 prior to the outbreak of the COVID virus in Norway, but the krone depreciated markedly in March last year when a euro cost just on NOK 12.0. The exchange rate then fell to just under 10 kroner to the euro in May this year. The krone has subsequently weakened slightly again, and at the end of August a euro cost around NOK 10.2. In our projections, we assume an unchanged krone exchange rate going forward, based on exchange rates at the end of August. On an annual basis, this means a strengthening of the krone from 2020 to this year, and a slight depreciation from this year to next year.

Table 3. Main economic indicators 2020-2024. Accounts and forecasts. Percentage change from previous year unless otherwise noted

	Accounts 2020	Forecasts										
		2021			2022			2023			2024	
		SN	NB	MoF	SN	NB	MoF	SN	NB	MoF	SN	NB
Demand and output												
Consumption in households etc.	-6.9	4.1	3.2	4.7	7.8	10.1	..	4.0	3.2	..	3.5	2.1
General government consumption	1.7	3.2	3.3	4.3	1.5	0.6	..	1.2	0.0	..	1.6	0.6
Gross fixed investment	-3.8	1.2	..	0.2	1.6	..	..	3.3	..	..	2.9	..
Extraction and transport via pipelines	-4.1	-2.0	-2.0	-5.4	-8.0	-6.0	..	10.0	10.0	..	5.0	8.0
Industries	-6.1	1.6	0.2	0.0	3.4	2.6	..	2.4	5.8	..	2.9	6.5
Housing	-4.0	6.0	4.6	6.4	5.5	2.6	..	2.3	0.6	..	1.6	1.1
General government	-1.0	-1.6	..	-0.8	1.8	..	..	1.0	..	..	2.5	..
Demand from Mainland Norway[1]	-3.9	3.3	3.0	3.9	5.0	5.5	..	2.8	2.2	..	2.7	0.5
Exports	-0.5	2.8	..	4.1	7.1	..	..	4.2	..	..	2.6	..
Traditional goods[2]	-2.2	6.4	4.5	3.7	2.3	6.2	..	2.9	2.9	..	2.6	2.6
Crude oil and natural gas	10.1	0.3	..	3.3	6.3	..	..	4.3	..	..	1.7	..
Imports	-11.9	2.5	0.9	3.0	8.5	10.7	..	5.0	5.6	..	4.3	4.8
Gross domestic product	-0.8	3.0	2.9	3.7	4.1	3.6	..	2.8	1.2	..	2.2	1.0
Mainland Norway	-2.5	3.6	3.8	3.7	3.8	4.1	..	2.6	1.0	..	2.3	1.0
Labour market												
Employed persons	-1.3	0.7	0.5	0.5	1.4	2.2	..	0.8	0.5	..	1.1	0.4
Unemployment rate (level)	4.6	4.7	3.5	4.4	4.4	3.6	..	4.2	..	..	3.9	..
Prices and wages												
Annual earnings	3.1	3.1	2.8	2.4	3.1	2.9	..	3.2	3.1	..	3.6	3.3
Consumer price index (CPI)	1.3	3.3	2.8	2.8	1.9	1.1	..	1.5	1.3	..	2.1	1.6
CPI-ATE[3]	3.0	1.9	1.7	2.0	2.2	1.3	..	1.9	1.4	..	2.0	1.6
Housing prices[4]	3.9	9.7	9.2	..	4.4	1.0	..	1.6	1.3	..	1.7	2.9
Balance of payment												
Current balance (bill. NOK)[5]	67	405	..	224	468	..	..	477	..	..	417	..
Current account (per cent of GDP)	2.0	10.4	..	6.0	11.1	..	..	10.8	..	..	9.1	..
Memorandum items:												
Money market rate (level)	2.8	0.5	..	0.6	1.2	..	..	1.7	..	..	2.0	..
Crude oil price NOK (level)[6]	407	591	..	557	597	..	..	563	..	..	536	..
Import weighted krone exchange rate (44 countries)[7]	6.7	-5.0	-7.0	-5.4	0.4	-2.3	..	0.0	-0.7	..	0.0	-0.2

[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. (2020-2021) (MoF). Norges Bank. Pengepolitisk rapport 2/2021 (NB).

There are prospects of higher underlying inflation. Underlying inflation measured by the 12-month rise in the consumer price index adjusted for tax changes and excluding energy products (the CPI-ATE) rose by 1.1 per cent in July. Higher import prices and labour costs will push up underlying inflation, and the underlying rise in prices will probably remain at around 2.0 per cent up to 2024. Inflation measured by the increase in the overall consumer price index (the CPI) is expected to be 3.3 per cent in the current year. Rising energy prices will raise the CPI by 1.9 percentage points this year, while reduced taxes will push growth down by 0.5 percentage point.

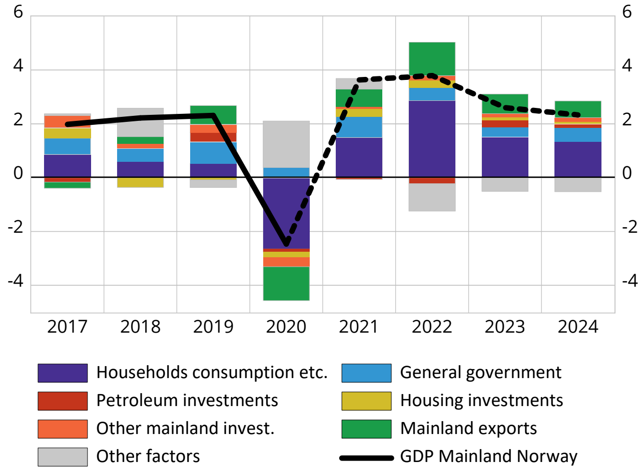
Norges Bank met the COVID crisis with interest rate cuts, and the key policy rate has been 0 per cent for just over a year. A zero interest rate is a sign of an economy in crisis. Given increased economic activity and a further reopening of society, the key rate is likely to be raised from the current abnormally low level. As in our previous projection, we expect the first interest rate increase to come in September. Next year there may be a further three interest rate hikes, and these will probably continue in 2023 and 2024. Assuming the key policy rate follows this path, it will nonetheless take two years before it again reaches 1.5 per cent, the level prior to the lockdown in March 2020.

Real wages appear set to fall weakly this year. In this year's wage negotiations, the Confederation of Norwegian Enterprise (NHO), in agreement with the Norwegian Confederation of Trade Unions (LO), estimated that annual wage growth in overall manufacturing under the NHO will be 2.7 per cent in 2021. As manufacturing is the wage leader, this establishes a norm for the other wage bargaining areas. The figures for average monthly basic earnings for 2021 Q1 and Q2 reveal relatively high underlying wage growth, given the wage leader norm. As in the previous quarter, Q2 growth was largely driven by the private sector, particularly those industries upon which the pandemic has had relatively little impact, such as construction and retail trade. In the period ahead, wage growth is expected to pick up further, but increased employment among persons at a low wage level may dampen the rise somewhat. On balance, we project annual wage growth in 2021 of 3.1 per cent, which is somewhat higher than the wage leader norm, but still somewhat lower than the projected level of inflation this year. For the remainder of the projection period, wage growth is expected to remain at just over 3 per cent annually. Given a risen in the CPI of about 2 per cent in the same period, this translates into real annual wage growth of slightly more than 1 per cent going forward.

More people are now entering the labour market. The Labour Force Survey (LFS) revealed a surprisingly strong increase in both employment and the labour force in Q2 this year. The labour supply is increasing among younger age groups in particular. The combination of immigration restrictions, which curb competition from foreign workers, and increased demand for labour in some service industries such as accommodation and food services, may lead to more young people entering work in the course of the autumn. Unemployment remains at a high level, nonetheless. According to monthly LFS figures, seasonally adjusted and adjusted for

Figure 3. Contributions to growth in GDP Mainland Norway, import adjusted

Change from previous year in percent



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.

breaks in the time series, unemployment averaged 4.9 per cent for April, May and June, but the estimated effect of the break due to the restructuring of the LFS with effect from 2021 is uncertain (see Box 2.1). Our projections show that unemployment measured by the LFS will be 4.7 per cent in 2021, and then fall to around 4 per cent in 2023. These projections are not adjusted for the break in the series. If adjustment is made for the assumed break, unemployment in 2024 will be in line with the level in 2019.

Both the Norwegian and the global economies have now borne the mark of the COVID-19 pandemic for around a year and a half. We forecast trend mainland economic growth to be barely 2 per cent this year. Although mainland GDP in June 2021 was back at the same level as in February 2020, the level in June was around 2.5 per cent lower than the trend level in the economy. We forecast that mainland GDP will increase by 3.6 per cent this year. The continued recovery is expected to be particularly pronounced in the areas that were hardest hit by the infection control measures. This applies in particular to service industries that experienced a sharp decline last year, such as transport, accommodation and food services and administrative and support service activities. The long-term effects of the global downturn and the national infection control measures will mark the Norwegian economy for a good while to come, however, and we do not expect unemployment to reach what we regard as a more normal level before 2023.

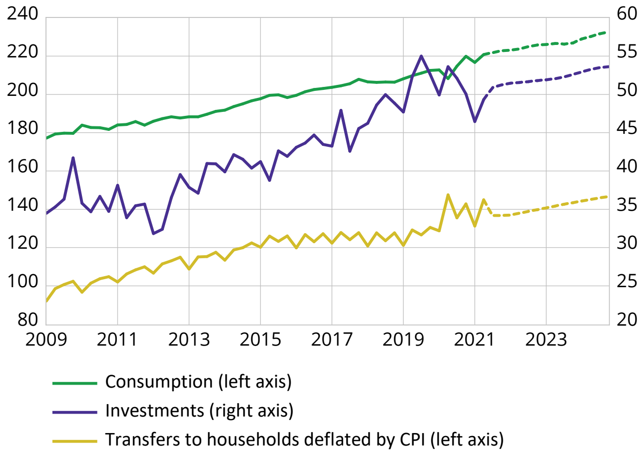
The uncertainty associated with future economic developments is still substantial, and there appears to be a greater probability of negative than of positive developments. The Delta variant is still advancing, both in Norway and globally, and Israeli data suggest that the effect of the Pfizer vaccine declines somewhat more rapidly than previously believed. New mutations of the virus may also arise. At the same time, willingness to be vaccinated is high in Norway, and the vaccines appear to provide good protection against serious illness and death. At the end of August, the Directorate of Health announced that we are in a fourth wave of infection, but as a consequence of vaccination, there is not a strong wave of hospitalisations so far. The Institute of Public Health accordingly concluded at the end of August that there was a very low likelihood of intensive care capacity being overextended in the time ahead. At the beginning of September, the Government delayed stage 4 of the reopening in order to restrict the spread of infection and keep the disease burden low until 90 per cent of the population aged over 18 has been fully vaccinated. The authorities' ambition is now that this vaccination target will be reached within 4–6 weeks. Our projections are based on this scenario, but if these assumptions fail to hold true, economic recovery will take longer than shown in our projections.

1. Fiscal policy with phasing out of extraordinary measures

Central government consumption rose by 1.3 per cent in 2020 Q2 following a decline in Q1. More normalised activity at hospitals, and increased activity at universities and university colleges pushed up consumption. Local government consumption rose by 2.5 per cent in Q2 after falling in Q1. The easing of infection control measures and increased municipal health service activity pushed up consumption. Central government investment rose by 2.3 per cent in Q2. Investment was pushed up by investment in new hospitals, which outweighed the countering effect of delays in deliveries of fighter aircraft. Gross local government investment rose by 11.6 per cent in Q2. Investment in local government administration, which includes roads, housing and public transport, pushed investment up. A number of tax changes have been introduced with effect from 2021, and are discussed in more detail in section 11. The projection scenario is based on the assumptions that other taxes are adjusted for inflation, tax rates remain unchanged, and tax thresholds are earnings-based.

Figure 4. General government

Seasonally adjusted, billion 2018 NOK, quarter



Source: Statistics Norway

In the Revised National Budget (RNB 2021), the government proposed expanded support measures which brought the use of petroleum revenue, measured as the structural, non-oil budget deficit, up to NOK 402.6 billion in 2021, almost NOK 90 billion more than in the budget proposal last autumn. This deficit is equivalent to 3.7 per cent of the value of the Government Pension Fund Global (the oil fund). In 2022 we assume that spending of petroleum revenue, measured by the structural non-oil deficit as a share of the value of the oil fund, will be reduced to just under 3 per cent. However, growth in the value of the fund over time implies increased use of petroleum revenue measured in NOK.

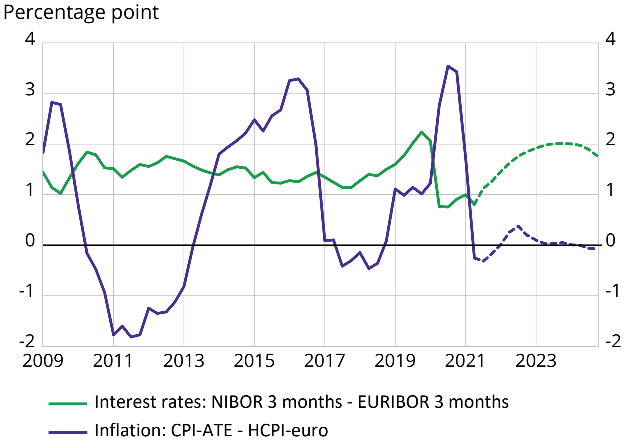
Our projections are based on the assumption that most COVID-related measures will be discontinued in the course of the autumn when everyone in the adult population who has accepted the offer of vaccination has received a second dose, and that the Norwegian economy will continue to recover in pace with the lifting of the infection control measures. This development implies a change in fiscal policy. Reduced government grants and transfers and increased tax revenue will reduce the budget deficit. However, the opposition parties, which have a Storting majority, recently took the initiative for an extension of the furlough scheme. They propose industry-specific schemes after 1 October, when the furlough scheme that has been in place during the pandemic is scheduled to be discontinued. Moreover, the spread of the Delta variant and new variants of the virus are creating concern about economic growth and the budget deficit going forward.

We assume in our prognoses that growth in general government activity will normalise in the course of the projection scenario. We project percentage changes in general government consumption and gross investment of 3.2 and -1.6 per cent, respectively, in 2021. The projection for gross investment growth, which was -1.1 per cent in the last report, has been revised downwards as a consequence of revised Q2 figures. Growth in general government consumption in the current year, which was last projected at 2.7 per cent, has been revised upwards as a consequence of increased spending, on vaccines, among other things. The growth projections for the period 2022–2024 are extrapolations of previous projections. High local government tax revenue and a desire to prevent unemployment taking root at a high level may lead to a more expansionary fiscal policy. Investment in a green restructuring package may also lead to a rise in public sector investment. However, the fiscal rule for use of petroleum revenue may place a damper on the expansionary fiscal policy. Public transfers, which in the last report were expected to fall in real terms by 1.8 per cent in 2021, are now expected to fall by 1.7 per cent as a consequence of extensions of the furlough scheme. Labour market-related transfers will be gradually reduced in the projection period, while pension disbursements will increase in the long term.

2. Towards normalisation of the interest rate level

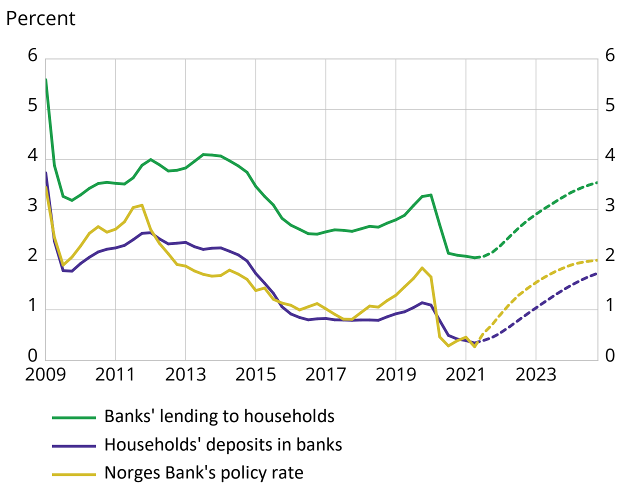
In the course of less than two months in the spring of 2020, Norges Bank cut the key policy rate by 1.5 percentage points, to 0 per cent. Since the last interest rate cut, the three-month money-market rate has been in the range 0.2–0.5 per cent, and at the end of August this year was 0.4 per cent. Deposit and lending rates are also at record low levels. At the end of Q2 this year, the average interest rate on loans secured on dwellings was 2.02

Figure 5. Interest rate and inflation differential between NOK and euro



Source: Norges Bank and Statistics Norway

Figure 6. Norwegian interest rates

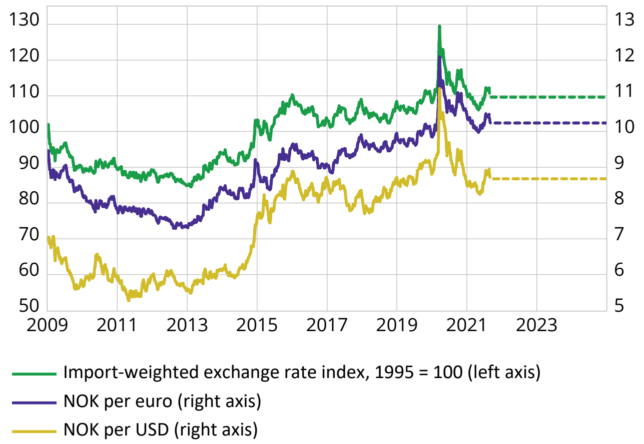


Source: Norges Bank and Statistics Norway

per cent, while the average deposit rate was 0.31 per cent.

The krone depreciated sharply around the time of the lockdown in Norway, in March 2020. A week before lockdown, a euro cost NOK 10.40. A week after lockdown, the price of a euro was more than NOK 12.30, according to the official daily exchange rates noted by Norges Bank. The krone subsequently appreciated, and through Q2 this year the price of a euro was around NOK 10.00. The krone then weakened again, and in the last week of August a euro cost roughly NOK 10.20, while a US dollar cost almost NOK 8.70. In our projections, we assume an unchanged krone exchange rate going forward, based on exchange rates at the end of August. On an annual basis, this implies a strengthening of the krone from 2020 to this year, and a slight weakening from this year to next year.

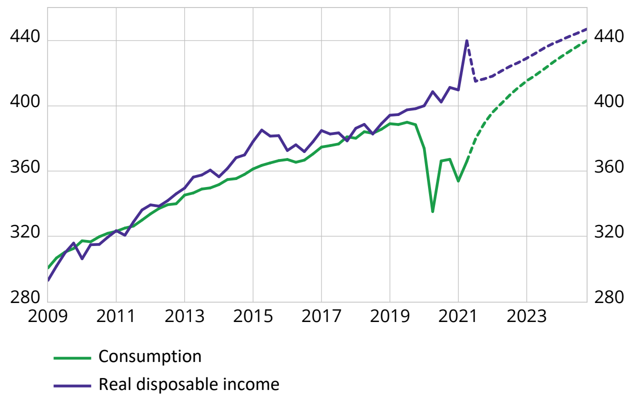
Figure 7. Exchange rates



Source: Norges Bank

Figure 8. Income and consumption in households

Seasonally adjusted, billion 2018 NOK, quarter



Source: Statistics Norway

In connection with the last interest rate cut in spring 2020, Norges Bank signalled that the interest rate would remain unchanged for several years to come. In subsequent editions of its Monetary Policy Report in 2020, Norges Bank foresaw a cautious rise in the interest rate from the first half of 2022. In the Monetary Policy Report published in March this year, the forecast of a first increase in the interest rate was brought forward to the second half of this year, before the June report indicated September as the probable month for an interest rate hike.

As in our previous projection, we expect the first interest rate hike to come in September. Growth in the Norwegian economy was high in Q2 this year, and the reopening will lead to further solid growth in the next few quarters. The unemployment rate has fallen, and in 2024 will fall back to the same level as in 2019 after correction for the restructuring of the LFS (see Box 1). At the same time, the rise in consumer prices appears likely to remain close to the inflation target for the next few years. This points to a normalisation of the interest rate level. The prevailing uncertainty suggests nonetheless that this interest rate increase will take place gradually. There may be a further three interest rate increases by the end of next year, and hikes will continue in 2023 and 2024. Given these interest rate developments, it will nonetheless be just over two years before the key policy rate is back at the level before lockdown last year. The interest rate on loans secured on dwellings will reach 3.5 per cent by the end of 2024.

3. Consumption on the rise again

According to the quarterly national accounts, total consumption in non-profit organisations fell by 6.9 per cent as an annual average in 2020, despite strong growth through the second half of 2020. After falling back temporarily by 3.6 per cent in Q1 this year, compared with the previous quarter, overall consumption picked up again by 3.4 per cent in Q2. This rebound reflected a lower infection rate and a gradual easing of infection control measures through Q2. Monthly growth was particularly strong in May, at over 4 per cent, while growth in June was about 2 per cent. The level of overall consumption was nonetheless almost 4 per cent lower in June this year than in February last year, the month before lockdown in Norway.

Consumption of both goods and services escalated in Q2. The reopening of shopping centres and shops in a number of municipalities led to strong growth in purchases of clothing, footwear, cars, furniture and household equipment. Growth of almost 1 per cent in April, as much as 5.3 per cent in May, and zero in June raised goods consumption by 3.6 per cent for Q2 as a whole. The goods consumption index for July shows a further seasonally adjusted increase of 1.2 per cent on the previous month. As infection control measures placed stringent restrictions on consumption of services, households adapted by increasing their consumption of goods. The level of goods consumption has thus risen substantially through the pandemic, and was about 14 per cent higher in July than in February last year. After falling sharply for two successive quarters, consumption of accommodation and food service rose by a full 9 per cent in Q2. Much of this growth can probably be attributed to the easing of the national restrictions on serving alcohol. Overall, consumption of services showed increasing growth in April, May and June, with growth of 2.4 per cent in Q2. Nonetheless, the level of service consumption was about 10 per cent lower in June than in the month prior to lockdown last year.

Norwegians' consumption abroad has also fallen sharply through the pandemic. Although the relaxation of rules for foreign travel in June led to a doubling of Norwegians' consumption abroad compared with May, the level for this consumption category was more than 90 per cent lower in June this year than in February last year. The level of foreigners' consumption in Norway, which has also suffered during the pandemic, has fallen by the same order of size in the same period.

Growth in household real disposable income, both with and without share dividend disbursements, is estimated in the non-financial sector accounts to have been around 2.5 per cent in 2020. Wage income, which is the most important source of household income, displayed weak developments last year, as employment fell sharply due to the infection control measures and the periodic shutting down of parts of the business sector. Public transfers, on the other hand, grew substantially as a result of record high disbursements to a large number of furloughed and unemployed workers. Thanks to record low lending rates, reduced net interest expenses also pushed up income growth last year. The household interest burden, i.e. interest expenses measured as a share of disposable income, fell from 5.5 per cent in 2019 to 4.7 per cent in 2020.

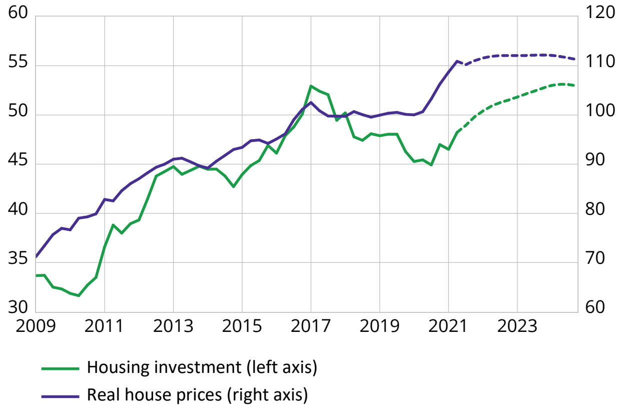
We now assume that average annual growth in real disposable income excluding share dividend disbursements will be barely 3 per cent in the years 2021–2024, i.e. slightly higher than last year. Wage growth will rise in pace with increased employment in a gradual normalisation of the Norwegian economy. Conversely, public transfers will fall in real terms in the current year as the pandemic furlough schemes lapse by degrees. Net interest expenses will also curb growth in real income in the years 2022–2024 when the mortgage rates faced by households increase in pace with the rising key policy rate. Towards the end of the projection period, the level of the household interest burden will rise to a good 6 per cent, which is slightly higher than the average for the past 20 years. As in our previous report, we envisage that towards the end of 2021 overall consumption will rise to the same level as prior to lockdown last year and will continue to increase by close to 8 per cent in 2022. These figures are based on the assumptions that vaccination of the population continues, there are no further business sector shutdowns and households' pent-up demand from 2020 and the first half of this year persists. However, there is greater uncertainty associated with the projections than when the previous report was published because of the spread of the Delta variant. With prospects of growth in real disposable income, but weak developments in real house prices, and hence also in real wealth, consumption is forecast to grow by a good 3.5 per cent as an annual average in the last two years of the projection period.

As household income remained at a high level while consumption fell sharply during the pandemic, the saving ratio, measured as saving as a share of disposable income including disbursements of share dividends, rose from around an annualised average of 7.5 per cent in 2019 to a record high 15.4 per cent in 2020. In the last published non-financial sector accounts, the level of the seasonally adjusted saving ratio was estimated to be around 16.5 per cent in Q2 this year. The saving ratio excluding disbursements of share dividend increased from around 3 per cent in 2019 to just over 11 per cent in 2020. Our projections for income and consumption developments indicate that the saving ratio will fall to 13.5 per cent this year, and gradually further to around 7.5 per cent in 2024. This is about 0.5 percentage point higher than the average annual saving ratio for the ten-year period 2010–2019. The saving ratio excluding share dividend disbursements will fall to around 4.5 per cent towards the end of the projection period.

4. Slowing house price inflation

According to Statistics Norway's seasonally adjusted house price index, house prices rose by 2.7 per cent for Norway as a whole in Q2, following a rise of 3.5 per cent in Q1 this year and around 3 per cent in both Q3 and Q4 last year. Prices in Q2 this year were more than 12 per cent higher than in Q2 last year. The rise in house prices has thus been

Figure 9. Housing market
Seasonally adjusted. Left axis: billion 2018 NOK, quarter
Right axis: index, 2018 = 100



Source: Statistics Norway

strong this past year, indicating that the record-low mortgage rates and to some extent enforced saving have outweighed other factors such as moderate income growth and weak population growth.

Now, however, there are signs that the rise in house prices is slowing. This can be seen most clearly in the monthly house price statistics of Real Estate Norway. According to these statistics, house prices in July were only 0.3 per cent higher than they were in March, and they fell in July in all major cities except Bergen. This slowing is in many ways anticipated, given the high level of house prices and the expected and imminent interest rate hike.

Housing market activity, measured as the number of resale homes sold, has been unusually high through the second half of 2020 and so far this year. According to Real Estate Norway, the number of resale homes sold in the first seven months of this year was 9 and 11 per cent higher than in the same period in 2020 and 2019. As a result, there are now relatively few resale homes for sale. This scarcity will probably prevent house prices falling substantially in the near term. Sales of new dwellings have also been high so far this year, following low sales through much of last year.

According to the quarterly national accounts, housing investment rose by almost 4 per cent in Q2 following a fall of 1 per cent in Q1. Several factors point to investment increasing further in the near term. Developments in sales of new dwellings and in housing starts are positive, and the high house prices coupled with the still low interest rates make residential construction profitable. Higher costs for materials have a countering effect. Our projections indicate nonetheless that housing investment will rise by around 6 per cent this year, and by almost the same amount next year. Growth will then slow appreciably, partly in response to higher interest rates. According to our projections, the level of housing investment towards the end of the projection period, in 2024, will be somewhat higher than the previous peak in 2017.

Higher housing investment leads to a larger supply of dwellings, which in isolation pushes down house prices. The expected rise in mortgage rates will have the same effect. At the same time, there are factors that point to a continued rise in house prices going forward. Although interest rates are expected to rise moderately in the years ahead, they will remain at a historically low level. Thus they will provide a continued incentive for borrowing, which will fuel a rise in house prices. Our projections indicate that annual debt growth will be in the range 4–5 per cent throughout the projection period. Household income growth will moreover increase somewhat in pace with the economic recovery.

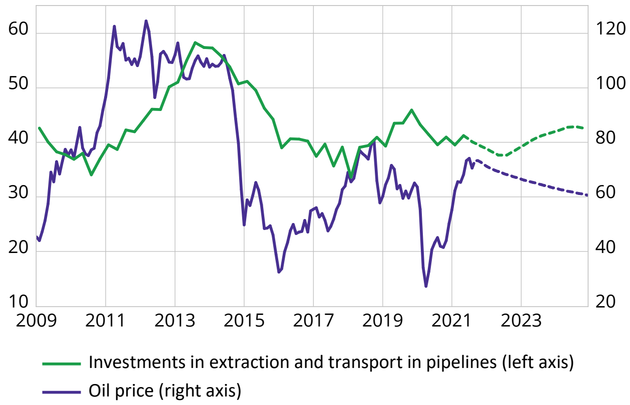
On balance, we forecast that house prices will rise by up to 10 per cent this year. This projection is roughly the same as in our previous report, meaning that there will only be a very moderate rise for the remainder of the year. For the years ahead we assume a gradual slowing of house price inflation, from just on 4 per cent in 2022 to slightly under 2 per cent in 2023 and 2024.

5. Petroleum investment rises to the 2019 level

Growth in petroleum investment of as much as 12.6 per cent in 2019 was followed by a decline of 4.1 per cent last year, according to national accounts figures. After a fall of 3.6 per cent in Q1 this year, seasonally adjusted figures show growth of 4.3 per cent in Q2. This growth was driven by higher activity in the investment areas exploration and fields in operation. In the first half of 2021, the volume of petroleum investment was 4.9 per cent lower than in the first half of 2020.

Statistics Norway surveys the petroleum companies' investment plans in the quarterly survey of intended investment in oil and gas, manufacturing, mining and power supply (KIS). In the last sur-

Figure 10. Petroleum investments and oil price
Seasonally adjusted. Left axis: billion 2018 NOK, quarter
Right axis: USD per barrel



Source: Statistics Norway

vey, conducted in August, investment this year is projected to be NOK 181.5 billion, in current value. This is approximately the same level as reported in the previous survey, and indicates a decline of 1.6 per cent this year compared with corresponding projections for 2020 published in August last year. The decline is driven by a clear fall in field development. The phasing down of large developments from 2020 to 2021 is not being compensated for by new field developments to any appreciable extent. The decline is being slowed by growth in exploration and fields in operation in particular. Exploration activity has picked up again this year after being cut last year as a consequence of very low oil prices attributable to the COVID-19 pandemic.

The projection for 2021 has grown by a full 25 per cent since the 2020 Q2 survey. In addition to cost overruns on some developments, the unusually strong increase in the estimate is related to the rise in the oil price since last autumn, and with the introduction of temporary changes in the petroleum taxation system adopted by the Storting in June 2020.

Realisation of the projection for 2021 presupposes investment growth of about 9.7 per cent from the first to the second half of this year. Figures from the last 20 years show that, on average, investment has been about 10 per cent higher in the second half of the year than in the first. Petroleum investment is seasonal, with the level of activity tending to rise through the year. Developments in 2020 were flatter than normal, with growth of only 1.1 per cent from the first to the second half of the year. Given a more typically seasonal course of events in 2021, some of the fall in investment in the first half of the year will be recouped in the second.

For the last 20 years, the projection published in Q3 of the investment year has been 3.9 per cent higher on average than the final investment total. Last year the projection was 2.9 per cent in Q3, and postponements of planned investments to the following year were thus less than in a normal year. The design of the oil tax package may give licensees an extra incentive to implement as many of their investment plans as possible in the course of 2021. All types of investment apart from shutdowns and abandonment are covered by the temporary tax rules until the end of 2021. From and including 2022, investments forming part of plans for development and operation (PDOs) that were approved before 2020 will no longer be covered by the favourable tax rules. It will therefore be more costly than usual to postpone this type of investment until the following year. We assume that this will result in investment postponements from 2021 to 2022 being somewhat less than normal, and roughly the same as last year. Nominal investment this year will then be 1.5 per cent lower than last year. Assuming a rise in prices for capital goods of 0.5 per cent this year, this will mean a 2 per cent fall in real investment this year, which is marginally weaker than in our projections published in the previous economic report.

The nominal forecast for 2022 in the most recent investment intentions survey is approximately NOK 142 billion, which represents a slight downward revision from the May forecast. Historical figures from the survey show that it is unusual for investment plans to be reduced at this stage of the cycle. The forecast is 4.4 per cent lower than the corresponding figure for 2021, published in August 2020. The forecasts for field developments in particular are contributing to the decline, this year and next. The reason is that the loss of investment in connection with the phasing out of developments is not being compensated for by investment in new developments. Extensive overruns reported for several developments in the autumns of the last two years have substantially raised the forecasts for the following year. The overruns are mainly attributable to a few projects which are now either complete or phased down, so that the risk of such major overruns is lower. We therefore assume that the increase in the forecasts due to overruns will be lower for 2022 than in the previous two years.

The temporary tax rules appear likely to trigger and accelerate a very large number of development projects in 2022. As decisions to develop most of these are not expected to be taken until 2022 Q4, we assume that no substantial investments will accrue to these projects that same year, particularly in view of the fact that projects tend to have least investment in the first year of development. Although the temporary tax rules will cease to apply to investment in older PDOs at the end of 2021, these favourable tax rules will continue to apply to additional investment associated with any changes in or expansions of the PDOs. This will probably contribute to somewhat higher investment in fields in operation than currently assumed in the forecast for 2022. Given these assumptions, we forecast a 8 per cent fall in the volume of petroleum investment in 2022. The fall is more pronounced than projected in the previous economic report, mainly because the investment survey's forecast for 2022 was weaker than expected.

Investment in development projects is usually highest in the second and third years of the development phase. The very large numbers of PDOs expected to be submitted in 2022 are therefore likely to generate very high development investment in 2023 and 2024. We project 10 per cent growth in volume in 2023 followed by more moderate growth of 5 per cent in 2024. These figures imply a slight reduction in the investment level for these years compared with the projections in the previous report. The reason is that a couple of projects that were planning to deliver PDOs by the end of 2022 have now postponed these projects. We allow for the possibility that this may also happen with more of the planned projects. This would put the investment level in 2024 on roughly the same level as in 2019. The new UN climate report is creating greater uncertainty in connection with political sentiment concerning Norwegian petroleum policy. This is a downside risk in our investment projections, particularly for exploration activities in the latter years of our projection period. The Government recently proposed replacing the petroleum tax system with a cash-flow tax system, with effect from 2022. If the proposal is adopted, it will not replace the temporary tax rules that were introduced as a result of the pandemic. Our projections are based on the current tax system. The proposed new tax system increases the uncertainty associated with our projections for the years 2022–2024.

In the first half of this year, oil and gas extraction, measured in energy equivalent, was 2.3 per cent lower than in the same period last year. Liquid production decreased by 1.6 per cent, while gas production in the first half of the year was 3 per cent lower than in the same period in 2020. If the Norwegian Petroleum Directorate's forecast for the second half of 2021 is accurate, oil and gas extraction will increase by 1.6 per cent this year. Extraction growth is projected to be 5.6 per cent in 2022. The Directorate also expects petroleum production to continue increasing further on in the projection period, but at a declining rate.

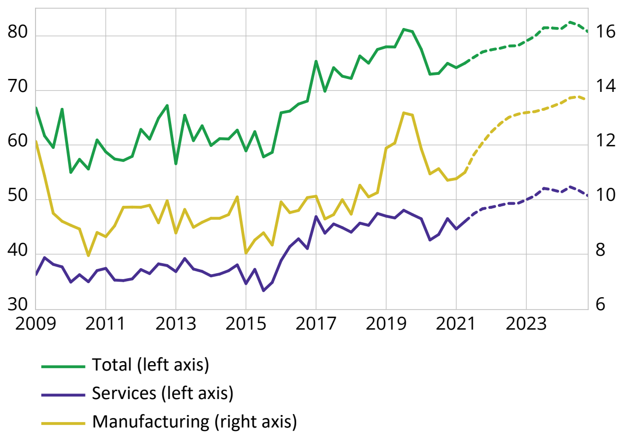
6. Weak business investment – but some light ahead

Business investment increased by 1.1 per cent in Q2 this year, thereby recouping the Q1 fall, according to national accounts figures. The rebound was driven by both services and manufacturing, with investment increases of 3 and 2.2 per cent, respectively.

Statistics Norway surveys the investment plans of manufacturing enterprises. The enterprises have revised their investment plans upwards in the last two surveys, and the August figures point to growth of 6.3 per cent in 2021 compared with corresponding figures for 2020. The overall upturn in manufacturing investment is attributable to broad-based growth, with basic metals and repair and installation of machinery contributing most. Investment developments so far this year have been relatively weak, however, and the level of investment remains below that in 2020 Q1. A substantial upturn in manufacturing investment will therefore be necessary in the months ahead if the reported investment estimates are to be realised.

Enterprises' investment forecasts for 2022 have also been revised upwards since the last survey, and manufacturing companies are expecting a surge of 24 per cent in 2022. A number of large projects in the industry groups refined petroleum products and chemicals and pharmaceuticals manufacturing, and in rubber, plastic and minerals, are pushing up the level of investment. At the same time, mining investment is forecast to be cut by a

Figure 11. Investments Mainland Norway
Seasonally adjusted, billion 2018 NOK, quarter



Source: Statistics Norway

good 10 per cent. On balance, growth in mining and manufacturing is projected to be 18 per cent in 2022.

The projection for investment in power supply in 2021 has been revised down since the last survey, and is now 15 per cent lower than the corresponding projection for 2020. Several large wind power developments are expected to be completed by the end of 2021, and for the present no new major wind power projects are expected to be started up. Consequently, a further 23 per cent fall in investment in this area is expected in 2022.

The June report of Norges Bank's regional network, which surveys businesses' view of economic developments in Norway, indicates that investment in service industries will be higher than planned by enterprises earlier this year, and is now projected to grow by more than 5 per cent in the next 12 months. Investment in services accounts for about 60 per cent of total business investment.

In the years ahead, investment may be significantly affected by climate change policies and a transition to renewable energy. According to Norges Bank's regional network's survey of enterprises, such a transition will on balance result in increased investment in mainland companies. There are already a number of battery factories and hydrogen plants in the start-up/planning phase, and some companies have launched pilot facilities. If these companies are successful in their technological development, and plans for full-scale production are realised, it will mean tens of billions of kroner in investment.

Many companies postponed investment last year because of market uncertainty. There is now less uncertainty, and the expected upswing in investment is relatively broad-based. Despite new variants of the virus, we have assumed in our projections that there will be no new business sector shutdowns and that the re-opening of society will continue in pace with vaccination of the population. We forecast that major investment associated with renewable energy will only come at the end of the projection period.

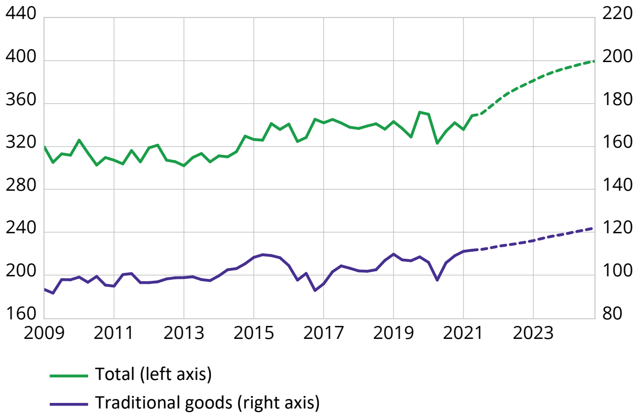
On balance, we forecast an upswing in business investment of slightly over 1.5 per cent this year. According to our projections investment growth will be about 3 per cent in 2022, and somewhat lower in 2023, after which investment growth will pick up to some extent. Given these developments, business sector investment will be a good 4 per cent higher than the 2019 level by the end of the projection period.

7. Foreign trade less affected by the pandemic

The pandemic and infection control measures have set their mark on global trade. After a downswing in the first half and an upswing in the second half of 2020, aggregate exports and imports both fell in Q1 this year. The decline was greater for imports than for exports. In Q2, aggregate exports increased more than aggregate imports. In addition, export prices rose more than import prices in both quarters. All in all, the export surpluses and terms of trade gains resulted in rising and record high trade surpluses in both Q1 and Q2.

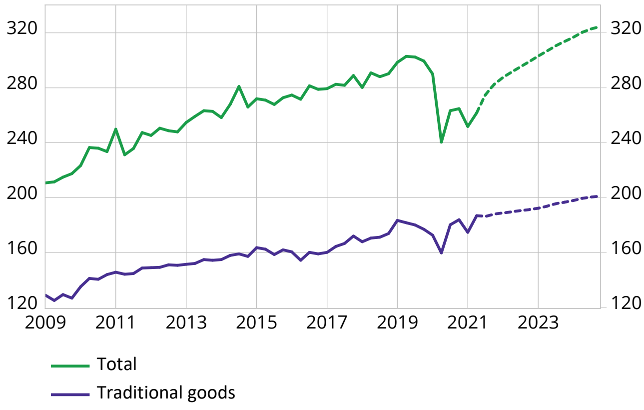
Goods exports from mainland Norway have grown in the past four quarters, while growth slowed and was barely positive in Q2 this year. Reduced exports of refined petroleum products pushed down growth considerably in Q2. Oil and gas exports made a major contribution to a decline in overall exports in Q1 and to an increase in Q2. More stringent infection control measures in these two quarters led to a further decline in foreigners' consumption in Norway after a temporary upswing in autumn 2020. Consumption prior to the pandemic was more than five times as high as in Q2 this year. The decline in foreigners' consumption in Norway in Q2 accounted for half of the decline in service exports as a whole. The pandemic in general and infection control restrictions in particular have

Figure 12. Exports
Seasonally adjusted, billion 2018 NOK, quarter



Source: Statistics Norway

Figure 13. Imports
Seasonally adjusted, billion 2018 NOK, quarter



Source: Statistics Norway

impacted exports of services more than exports of goods.

Export prices for mainland goods and services, and in particular for oil and gas, increased quite strongly in Q1 and Q2. Some of the increases can be attributed to a weakened krone. The rise in prices for refined petroleum products accounted for about half of the rise in prices for mainland goods. Higher prices for domestic and international shipping raised the price index for overall service exports in Q1 and Q2, respectively.

Mainland goods imports increased more in Q2 this year than they decreased in Q1. Imports of vehicles, machinery and equipment and textiles, clothing and footwear increased most. Import prices fell for these product groups, while mainland goods imports as a whole increased in price.

The COVID-19 pandemic is not over, but a steadily higher degree of vaccination and reduced infection control measures nationally and internationally will stimulate exports as well as imports in the period ahead. We assume that trade in goods will pick up before trade in services. Travel and tourism in particular, but also other trade in services, as well as exports of oil and gas, will only increase from next year. The increase in aggregate demand among trading partners who have been harder hit by the pandemic is assumed to be stronger than in Norway, and this will stimulate exports more than imports. Export surpluses and terms of trade gains are expected to increase the trade surplus this year and probably next year. Added to a high and growing income and current transfers surplus, this will generate a major current account surplus. Measured as a share of GDP, the surplus could be more than 10 per cent annually in the projection period 2021–2024.

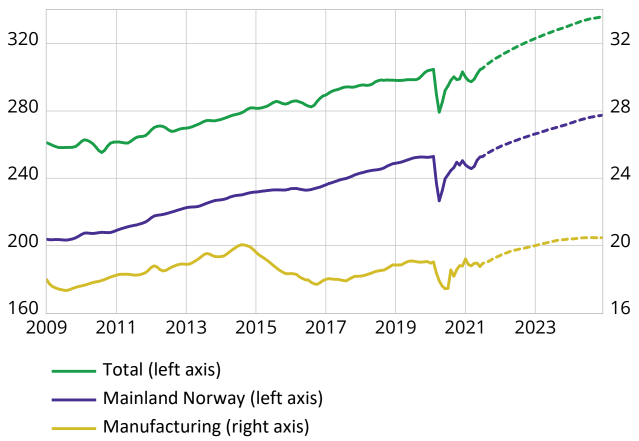
8. Normalisation of activity level anticipated

The most recent national accounts figures show that the Norwegian economy had bottomed out of the second downturn triggered by the COVID-19 pandemic. A lower infection rate, more vaccinations and reopening of society led to economic growth picking up again in Q2. There was growth in each month of the quarter, and in June mainland GDP was at approximately the same level as prior to the pandemic. The result is economic development following a W-shaped course, with an unusually sharp upturn in autumn 2021 and a lesser one now.

Although mainland GDP in June was back at the same level as before March 2020, the economy was still strongly affected by the pandemic. The mainland economy normally grows by just under 2 per cent annually. The fact that in June 2021 mainland GDP was back at the same level as in February 2020 means that the level is still around 2.5 per cent lower than what we regard as trend.

The Norwegian economy was not in a normal situation at the end of the first half of 2021, but the imbalances were shrinking. Service industries such as accommodation and food services, transport and cultural services have been hard hit since March 2020. Despite a strong upswing in Q2 this year, activity in these industries remained low in June. Goods consumption, however, has grown sig-

Figure 14. Gross domestic product
Seasonally adjusted, billion 2018 NOK, month



Source: Statistics Norway

nificantly during the pandemic. The result has been a high level of activity in retail trade, with a further increase in Q2 when the shops opened after the lockdown.

There is still great uncertainty associated with future economic developments. The pandemic will continue to restrict activities in the immediate future, but the Norwegian economy appears to be on its way to normality. Infection has increased recently, but large numbers have been vaccinated and large parts of the authorities' reopening plan have been implemented, a development also seen among our trading partners. Increased vaccination will probably lead to fewer infection control measures being introduced and to the economic upturn continuing. However, this is contingent on the vaccines being effective against new virus mutations. New restrictions could again rein in the economic recovery, both in Norway and in many other countries.

The further recovery is expected to be particularly pronounced in the areas that were hardest hit by the infection control measures. This applies in particular to the service industries that suffered a sharp decline in production last year. The low domestic consumption contributed strongly to inhibiting activity through 2020 and into 2021. A further easing of infection control measures and increased normalisation boost domestic consumption and contribute to pushing up activity this year and for the remainder of the projection period.

After several years of solid growth and a high level of activity, production in the construction industry slumped after the outbreak of the virus, but it is likely to pick up again over the next few years given increased housing investment. General government activity is also expected to remain buoyant.

Developments in Norway will also depend on general developments abroad. The amount of vaccination among our closest trading partners is high and increasing and has led to more countries reopening their economies. We therefore foresee that the recovery will continue, which will push up activity in Norway. Manufacturing is expected to benefit from growth abroad continuing and from the krone exchange rate remaining weak.

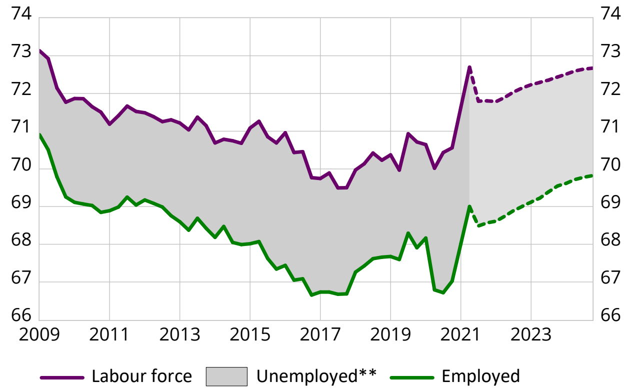
We forecast that mainland GDP will increase by 3.6 per cent this year. This upturn is somewhat stronger than previously projected, and is attributable to stronger developments in activity in the first half of the year. Mainland economic growth is then assumed to pick up further, to close to 4 per cent in 2022, before falling back to a more normal level of around 2.5 per cent for the remainder of the projection period.

9. High employment and a high labour supply

In Q2 the labour market reflected the fact that the authorities were beginning to phase out the infection control measures and open up the economy. The Labour Force Survey (LFS) revealed a surprisingly strong increase in both employment and the labour force, while unemployment remained high. Employment increased by 2.7 per cent and the labour force by 2.9 per cent from 2021 Q1 to Q2, while unemployment edged up from 5.0 per cent to 5.1 per cent. The employment rate was 69.0 per cent in 2021 Q2, while labour force participation was 72.7 per cent. Because of the restructuring of the Labour Force Survey from the beginning of 2021, the figures for this year are not directly comparable with historical figures (see Box 1), but seasonally adjusted LFS figures confirm the increase from Q1 to Q2.

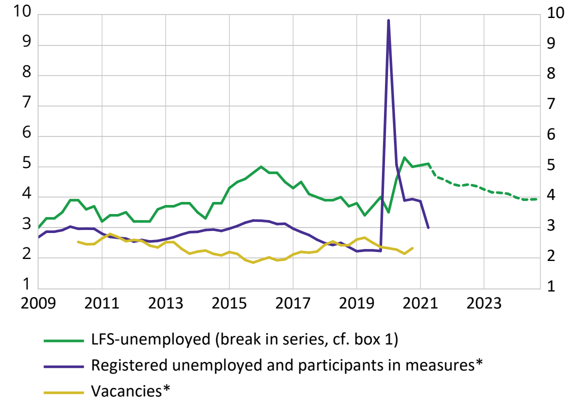
Unemployment remained high, despite the strong increase in employment. This must be viewed in light of the fact that unemployment increased amongst youngsters aged 15–24, with particularly strong growth among young women. Although

Figure 15. Labour market status
Percent of population in working age, LFS*



* Break in LFS data series from 1. quarter 2021, cf. box 1
** Unemployment is measured as share of population in working age
Source: Statistics Norway

Figure 16. 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

employment also increased, the labour supply increased even more, so that labour force participation rose from 56.0 per cent to 64.0 per cent for this age group. The labour supply increased less in the age group 25–74 years, and unemployment fell. It is possible that the labour market appears more promising for young people, even if they are not in work, and that they therefore express a desire for work. Expected growth in the service industries, coupled with a 34 per cent fall through the last two years in the number of non-resident wage-earners (workers resident outside Norway) may have opened up work opportunities for young people.

These LFS developments are not reflected in the employment statistics of the Norwegian Labour and Welfare Organisation (NAV). Registered unemployment fell from 3.8 per cent in December 2020 to 3.1 per cent in April 2021, which is high, but not abnormally high, unemployment. Unemployment also fell among the youngest age groups. The NAV-registered unemployment figures classify those furloughed as unemployed, while most furloughed persons are not included in the LFS unemployment figures[2]. As a result, it has been difficult at times to compare LFS unemployment figures with the NAV-registered unemployment figures. LFS unemployment is usually higher than the unemployment figures registered with NAV because some persons in the LFS survey say they want work, and they satisfy some availability criteria, but they have not registered with NAV. Because of high furlough figures, registered unemployment was higher than LFS unemployment from March 2020 to July 2020. The number furloughed does not create major comparison problems any longer, as the number of fully furloughed workers had fallen to 17 600 persons in July 2021. By way of comparison, the number was 184 500 in March 2020 and 40 300 in March 2021. These figures are nonetheless markedly higher than the number laid off before the outbreak of infection, with for example 3 100 fully unemployed laid off in February 2020. The number of long-term unemployed, i.e. those who have been unemployed for more than 26 weeks, has fallen somewhat, and in July was 32 400, the lowest level so far this year.

According to the national accounts, employment increased by 1.6 per cent, while hours worked fell by 4.4 per cent from 2021 Q1 to 2021 Q2. As a result, the employment level in 2021 Q2 was 0.8 per cent higher than the same quarter the previous year, while the number of hours worked was 5.6 per cent higher. The fact that employment increased while hours worked fell is due to there being fewer working days in Q2 than in Q1. Employment is still low in some industries that were particularly hard hit by the infection control measures. For accommodation and food service activities, the number of hours worked in 2021 Q2 was 34.6 per cent lower than in 2020 Q1. Hours worked in administrative and support service activities were 13.4 per cent lower and in transport 9.6 per cent lower than in 2020 Q1.

[2] In the new LFS, those laid off for a period of over 3 months, and who satisfy the criteria regarding seeking employment and availability are classified as unemployed, the remainder as outside the labour force. Persons laid off for less than 3 months are classified in LFS as employed temporarily absent in line with international definitions.

Box 1 Breaks in the LFS time series

The Labour Force Survey (LFS) has been restructured starting from 2021 Q1, with changes that include a new sampling plan, a new target population and a new estimation method. The changes have been made to ensure comparability with statistics in other countries, cover more aspects of the labour market, and deliver statistics of a higher quality with a shorter production time. The changes, which apply from 2021, involve the following:

- The sample is expanded by adding the age group 75–89 years
- Questions about work for the whole household are included
- Several variables have been changed in line with changes in the labour market
- Persons serving initial military service will not form part of the sample
- The population (the working age part of the population) has been changed to include only those registered as resident in private households

It is important to note that these changes do not affect employment and hours worked in the national accounts, because these variables are largely based on registry data, and not on LFS data.

The restructuring of the LFS will also imply changes in question sequences, question formulations and response options. This may lead to the statistics for labour supply, employment and unemployment after year-end 2020/2021 not being directly comparable with earlier figures. In the course of 2021, Statistics Norway will determine the size of the differences resulting from the changes. When the estimate of these differences are regarded as satisfactory, the main aggregate figures will be adjusted for the break, going back to the last major restructuring in 2006.

Further details of the changes can be found in the article "Ny AKU gir brudd i tidsseriene" [New LFS means break in time series], while the article "Bruddberegninger av AKU-omleggingen"[Calculating the effects of the break due to the LFS restructuring] describes how the break calculations are conducted.1

The LFS for 2021 Q2 was presented in the article "Antall sysselsatte på nivå med før koronakrisen" [Number of employees on the same level as before the COVID crisis] with preliminary break-adjusted projections for the most important key variables in the LFS.2 The new, preliminary break-adjusted estimate for employees aged 15–74 years shows 21 000 more employees than the old LFS would have shown, a labour force with 29 000 more persons defined as in the labour force and unemployment with 8 000 more persons defined as unemployed. This means that the restructuring of the LFS has led to the unemployment rate increasing by around 0.3 percentage point. The last article also contains a table with preliminary break-adjusted figures on a monthly basis for labour force, employment and unemployment back to January 2018.

[1] See https://www.ssb.no/arbeid-og-lonn/artikler-og-publikasjoner/ny-aku-gir-brudd-i-tidsseriene og https://www.ssb.no/arbeid-og-lonn/artikler-og-publikasjoner/bruddberegninger-av-aku-omleggingen. (both articles in Norwegian).

[2] See https://www.ssb.no/arbeid-og-lonn/sysselsetting/statistikk/arbeidskraftundersokelsen/artikler/antall-sysselsatte-pa-niva-med-for-koronakrisen. (in Norwegian).

A large proportion of the adult population has now been vaccinated, and infection control measures are being eased in pace with rising vaccination rates. This, combined with a continued expansionary fiscal policy and low interest rates, will continue to boost the labour market in the near term. At the same time, we assume that global economic activity will improve, although the spread of the Delta variant is creating uncertainty. We expect increasing growth in both hours worked and employment in 2021 and 2022. However, we do not expect employment to be higher than it was in 2019 until 2022. We foresee average LFS unemployment of 4.7 per cent in 2021 followed by a gradual fall to 4.4 per cent in 2022 and 4.2 per cent in 2023. This is a level that is consistent with the average so far in the 2000s, when account is taken of the break in the LFS time series.

10. Slight decline in real wages this year

Figures for the average basic monthly wage for 2021 Q2 show growth of 2.1 per cent compared with the same quarter last year, somewhat lower than the growth of 2.9 per cent in Q1. As in Q1, growth was largely driven by private sector and public enterprises, with growth of 2.6 per cent, while growth rates for central and local government were 1.5 and 0.3 per cent, respectively. At 0.6 per cent, the average growth rate for local government for the last three quarters was far lower than the average of 2.6 per cent for the period 2018–2019.

At the same time, the figures broken down by industry show that growth rates in 2021 Q2 reflected the effect of the COVID-19 pandemic on segments of the labour market. For example, growth in average monthly basic earnings in accommodation and food service activities in 2021 Q2 was only 1.1 per cent, which is well under the average of

3.8 per cent through the period 2018–2019. This can be partly explained by the fact that some of the furloughed workers in this industry returned to work in Q2, thereby helping to moderate the composition effects that had previously pushed up wage growth. This explanation is supported by the preliminary seasonally adjusted monthly figures, which show a rising increase in the number of jobs in accommodation and food services from April to July, after several months of decline.

For the economy as a whole, the composition effects ensuing from the COVID-19 pandemic have probably not been fully reversed, even though many infection control measures have been moderated or lifted. The preliminary seasonally adjusted monthly figures for number of jobs indicate that even after three successive months of growth, the employment level in July 2021 remained somewhat lower than the average level in the last half year before the pandemic struck Norway (September 2019 to February 2020). This applies in particular to accommodation and food service activities and administrative and support services, where the numbers of jobs were respectively 12.2 and 7.8 per cent lower than the average employment level in the last six months before the pandemic. If more people who are furloughed from such low-paid industries return to work in the course of the year, this will contribute to pushing down overall wage growth. As restrictions on travel to Norway are being maintained, it looks nonetheless as though the composition effects will have less impact this year than last year.

Growth in average monthly basic earnings in industries that are not equally strongly impacted by the pandemic is increasing slightly. Wage growth figures for construction and for wholesale and retail trade and repair of motor vehicles in 2021 Q2 compared with 2020 Q2 were 3.3 and 3.9 per cent, respectively, up from 3.1 and 3.4 per cent the previous quarter. These two industries account for just over a fifth of all jobs, and if growth here persists through the year, it will push up overall wage growth.

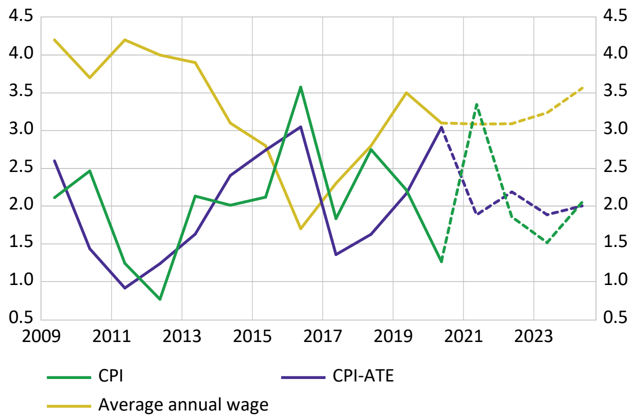
Assuming that parts of the private sector maintain the relatively high wage growth of Q2, while composition effects in the labour market push down wage growth somewhat in Q3 and Q4, our projections indicate wage growth of 3.1 per cent for the current year. Given an upwardly revised projection of 3.3 per cent for the rise in the consumer price index (CPI), this means a slight decline in real wages this year. In the period up to 2024 our projections indicate stable wage growth of slightly over 3 per cent. Given a risen in the CPI of about 2 per cent in the same period, this means real annual wage growth of slightly more than 1 per cent in the near term. In isolation, gradually declining unemployment will push up wage growth. A somewhat slower rise in prices than in 2021 will counter this effect.

11. Prospects of higher underlying inflation

Underlying inflation measured by the 12-month rise in the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE) rose by 1.1 per cent in July. This was a marked decline from March, when the inflation rate was 2.7 per cent. However, the monthly rise from June to July was 0.6 per cent. The pronounced depreciation of the krone in March 2020 followed by appreciation through the year makes it difficult to interpret the effects in individual months when assessing the inflation picture so far in 2021. Price movements through 2020 were also influenced by the fact that special offers in connection with Easter, school start and Christmas were largely replaced by campaigns of other kinds. Services also lapsed when Norway locked down in March 2020. Inflation on prices for these services was estimated, and in April 2020 they accounted for a weighting of 10 per cent in the consumer price index (CPI). This share decreased towards summer last year. In July this year a few services associated with travel were still treated separately. Services such as foreign air travel and charter tours are projected using seasonal factors and account for approximately 1.5 per cent of the weight basis of the CPI.

The CPI-ATE rose by 1.8 per cent from December 2020 to July 2021. The average rise in the CPI-ATE has accordingly been about 0.25 percentage point per month since the beginning of the year, or an annualised 3.0 per cent. On the basis of our projections for wage changes and global price inflation we forecast that the CPI-ATE will continue to rise going forward. Indirect effects ensuing from cost increases due to higher commodity and energy prices are also contributing. We assume that the inflation rate measured as the 12-month increase

Figure 17. Consumer price indices and annual wage
Change from previous year in percent



Source: Statistics Norway

in the CPI-ATE will rise to 2.3 per cent by the end of the year.

Despite the pronounced decline in the CPI-ATE, the 12-month rise in the CPI was fairly stable in the first seven months of the year. The CPI rose by 3.0 per cent from July 2020 to July 2021, while the average rise in the CPI for the period January–July was 2.9 per cent compared with the same period the previous year. The difference between the annual rise in the CPI and the CPI-ATE was as much as 1.9 percentage points in July, and has thus widened markedly from Q1, when the difference was 0.3 percentage point. Electricity prices including grid charges have risen particularly markedly through 2021, thereby increasing the gap between the CPI and the CPI–ATE. At the same time, fuel prices have risen since March. Cuts in special taxes have contributed to dampening the annual rise in the CPI, by about 0.7 percentage point in Q1 and about 0.5 percentage point since April. The lower negative contribution of tax cuts in Q2 is largely attributable to the fact that the reduction in the low value-added tax rate on services that applied from 1 April 2020 has been fully phased in.

In recent months, the spot price for electricity on the Nord Pool power exchange has risen to new heights and set a new record at the end of August. The average Norwegian spot prices in July and August were 53 and 70 øre/kWh, respectively, while last year's spot price for these two months was a record low 2 øre/kWh. The 12-month rise in the electricity price including grid charges was 82.7 per cent in July and will be over 100 per cent in August. Futures prices have also increased since the previous economic report. We assume an annual rise from 2020 to 2021 of 64 per cent for the price of electricity including grid charges and of 10 per cent for fuel. Given these projections, energy products will add 1.9 percentage points to CPI inflation this year. Special taxes on beer, wine and snus were reduced on 1 January. The tax on chocolate and sugar products was also discontinued. The exemption from air passenger tax is being extended for the remainder of the year. Special taxes on non-alcoholic beverages were lowered on 1 July last year. They were then halved on 1 January this year before being abolished completely on 1 July. We assume in our projections that the reduction in the low VAT rate on services will be reversed with effect from 1 October. On balance, we forecast that tax changes will reduce CPI inflation by 0.5 percentage point in 2021. CPI inflation is now projected to be 1.9 per cent in 2021. Tax changes are expected to reduce CPI inflation by 0.5 percentage point, while changes in prices for energy products will add 1.9 percentage point to CPI inflation, resulting in a difference of 1.4 percentage points between CPI and CPI-ATE inflation. CPI inflation is projected to be 3.3 per cent for 2021. The 0.6 percentage point increase in the CPI projection since the March economic report is largely due to the increase in electricity prices. The projected rise in the CPI-ATE of 2.1 per cent in the two previous reports has now been revised down slightly.

As mentioned initially, the monthly rise in the CPI-ATE from June to July was 0.6 per cent. A decomposition of the sub-indices of the CPI-ATE by consumption group shows that prices for food and non-alcoholic beverages made the largest contribution, with a price increase of 2.8 per cent in July after several months of falling prices. The upswing in the past month must be viewed bearing in mind that suppliers usually adjust their prices in July, and that changes in target prices for agricultural products take effect. Of the main groups, the fall in prices for clothing and footwear in particular is curbing inflation. Prices for clothing and footwear have fallen by almost 5 per cent since December, and price developments for this consumption group are expected to remain weak going forward. In services, parts of the public transport sector have seen weak price developments. Prices for boat passenger transport fell by some 14 per cent from June to July, mainly due to a reduction in the national ferry tariff rates from July. Annual price movements in air transport have been clearly negative for a long time, and price changes have been estimated in the CPI for much of the COVID-19 pandemic. With effect from June, actual prices for domestic air travel taken from a new and larger data basis than previously will be used in the CPI. Prices for domestic and international air transport rose on balance by 13.3 and 15.7 per cent, respectively, on a monthly basis in June and July. However, the price fall for this group was still almost 16 per cent in July measured against the same period the previous year. Among other service groups, rents have risen weakly, but prices have shown signs of picking up in recent months.

The Storting debates and decides on the rates for the special taxes for 2022 in connection with the presentation of next year's budget in the autumn. For the years 2022–2024 we have as a temporary measure adjusted current tax rates for inflation, with the exception of low value-added tax rates on services for which previous relaxations will be reversed on 1 October. This will add 0.1 percentage point to CPI inflation next year even though the special taxes on non-alcoholic beverages that were removed on 1 July will curb inflation slightly in the first half of 2022. We accordingly assume that other special taxes will have a neutral effect on CPI inflation for the years 2022–2024.

The overall picture in the power market is the same as in the previous economic report, with the market expecting the price of electricity to fall in the longer term. The latest rise in Norwegian spot prices was due to dry weather, bottlenecks in the transmission network to Sweden and continued high prices on the Continent. Prices in the forward market for power deliveries this autumn and winter have increased considerably, and the annual contract for 2022 has also risen fairly substantially. At the end of August, the price for annual contracts for the years 2023 to 2025 was approximately 33 øre/kWh and stable. Given these developments, the market anticipates that there will be a power surplus in the Nordic countries in the years ahead. According to the Norwegian Water Resources and Energy Directorate (NVE), 7.1 TWh of new Norwegian power production commenced in 2020, and a further 5.7 TWh will do so in 2021. According to the NVE, the Norwegian-British cable North Sea Link which connects to the bidding area South-West Norway, will according to plan commence trial operation in October, and will increase the transmission capacity between Norway and abroad. In isolation, this may influence Norwegian spot prices. On the basis of realised spot prices and forward contracts, we project that the average Norwegian spot price will be about 56 øre/kWh this year and then fall to about 42 øre/kWh as an annual average next year. Forward prices indicate that electricity prices including grid charges will fall by 10 and 8 per cent in 2022 and 2023, respectively, and thereafter shadow general inflation in 2024. In our projections, prices for petrol and diesel largely shadow developments in the oil price in Norwegian kroner and hence remain almost unchanged from 2021 to 2022. They then fall a little in 2023 and 2024, in pace with the decline in oil prices. We assume that price changes for energy products as a whole will reduce CPI inflation by 0.4 percentage point in 2022 and 2023, while having a neutral effect on CPI inflation in 2024.

The exchange rate remains unchanged from the previous economic report in the years ahead, while the rise in energy prices is far higher than previously assumed. Changes in the krone exchange rate affect prices for imported consumer goods with a lag. The same applies to the effects of increased energy costs and commodity prices (see Box 2 in Economic Survey 2021/2). Increased prices for imported goods and commodities and higher energy costs impact prices for domestically produced goods and services through the costs of intermediate inputs, which increase industries' unit costs. We assume that annualised CPI-ATE inflation will be about 2.5 per cent in 2022 Q1. As it takes time for cost effects to be exhausted, inflation will remain at a relatively high level until well into 2022, but we forecast that it will slow after a while, prompted by more normal commodity and electricity price developments. In our projections, the krone exchange rate is kept constant at the current level for the remainder of the projection period, which means that the annual average value of the krone remains virtually unchanged from 2021 to 2022. In the longer term, the time-lagged effects of changes in the krone exchange rate will be exhausted, and imported inflation will be equal to international inflation, which is assumed to be moderate. The most important cost component in the economy is labour costs. Wage growth is expected to be moderate, but rising slightly in the years ahead. We assume that productivity growth will increase from next year, when the capacity utilisation of some service industries increases from the current low level. High growth in manufacturing investment in 2022 is contributing to maintaining productivity growth at a high level well into the projection period. In 2022, CPI-ATE inflation is projected to be 2.2 per cent, and the rise thereafter is roughly in line with Norges Bank's 2 per cent inflation target. Given our assumptions about energy prices and taxes, CPI inflation will be a little lower than CPI-ATE inflation in 2022 and 2023.

Table 4. National accounts: Final expenditure and gross domestic product. At constant 2018 prices. NOK million

	Unadjusted		Seasonally adjusted							
	2019	2020	19:3	19:4	20:1	20:2	20:3	20:4	21:1	21:2
Final consumption expenditure of households and NPISHs	1 548 015	1 440 755	389 951	388 478	373 921	335 136	366 185	367 151	353 862	365 860
Household final consumption expenditure	1 465 262	1 367 789	369 097	367 557	353 744	318 570	348 351	349 121	337 152	347 959
Goods	668 007	705 595	168 284	167 480	164 625	173 436	183 559	186 153	181 004	187 569
Services	724 766	650 911	181 985	183 518	175 006	145 911	163 877	165 066	157 583	161 304
Direct purchases abroad by resident households	122 752	27 444	31 313	29 676	25 078	673	3 785	2 060	1 481	1 391
Direct purchases by non-residents	-50 264	-16 161	-12 485	-13 118	-10 964	-1 450	-2 870	-4 158	-2 917	-2 305
Final consumption expenditure of NPISHs	82 753	72 965	20 854	20 921	20 176	16 566	17 834	18 031	16 710	17 901
Final consumption expenditure of general government	841 508	855 679	211 117	212 514	212 813	208 255	214 780	219 915	216 676	220 854
Final consumption expenditure of central government	411 130	423 323	103 169	103 886	105 366	103 087	106 552	108 337	106 353	107 753
Central government, civilian	361 203	371 683	90 656	91 132	92 653	90 255	93 584	95 213	93 227	94 583
Central government, defence	49 927	51 640	12 513	12 754	12 713	12 832	12 968	13 124	13 127	13 170
Final consumption expenditure of local government	430 378	432 356	107 948	108 629	107 447	105 168	108 227	111 578	110 322	113 101
Gross fixed capital formation	891 426	857 248	228 576	226 566	217 877	213 620	211 057	214 266	208 036	213 794
Extraction and transport via pipelines	172 306	165 167	43 528	45 918	43 267	41 380	39 552	40 964	39 510	41 226
Ocean transport	2 642	4 683	818	919	1 853	181	1 361	1 288	1 400	-4
Mainland Norway	716 478	687 398	184 229	179 729	172 757	172 058	170 144	172 014	167 126	172 572
Industries	318 274	298 842	81 196	80 794	77 560	73 002	73 129	74 980	74 176	75 021
Service activities incidential to extraction	3 766	2 511	1 002	965	761	709	614	429	484	573
Other services	189 001	179 271	48 038	47 256	46 492	42 596	43 618	46 520	44 621	45 977
Manufacturing and mining	50 293	44 688	13 175	13 099	11 862	10 942	11 130	10 711	10 767	10 999
Production of other goods	75 214	72 373	18 980	19 474	18 445	18 754	17 768	17 320	18 304	17 473
Dwellings (households)	190 300	182 659	48 038	46 286	45 273	45 428	44 911	46 982	46 504	48 217
General government	207 904	205 897	54 995	52 648	49 924	53 628	52 104	50 051	46 446	49 333
Acquisitions less disposals of valuables	378	151	94	93	85	12	38	17	9	42
Changes in stocks and statistical discrepancies	145 788	109 593	38 516	30 604	32 664	16 743	30 457	22 154	33 022	17 822
Gross capital formation	1 037 592	966 992	267 186	257 263	250 626	230 374	241 552	236 437	241 067	231 657
Final domestic use of goods and services	3 427 114	3 263 426	868 254	858 255	837 360	773 765	822 517	823 504	811 605	818 371
Final demand from Mainland Norway	3 106 001	2 983 832	785 297	780 721	759 491	715 449	751 109	759 081	737 663	759 285
Final demand from general government	1 049 412	1 061 577	266 113	265 163	262 737	261 883	266 883	269 967	263 121	270 187
Total exports	1 356 582	1 350 429	328 854	351 918	350 036	323 087	334 186	342 050	335 780	348 708
Traditional goods	429 387	419 917	106 720	108 497	105 867	97 623	105 705	109 059	111 083	111 616
Crude oil and natural gas	544 745	599 843	126 724	147 943	147 633	148 679	149 292	151 505	142 196	154 892
Ships, oil platforms and planes	12 195	8 143	2 565	2 008	3 264	1 651	2 128	1 101	1 776	2 681
Services	370 256	322 526	92 846	93 470	93 272	75 134	77 061	80 385	80 725	79 520
Total use of goods and services	4 783 697	4 613 855	1 197 109	1 210 174	1 187 396	1 096 852	1 156 703	1 165 553	1 147 385	1 167 079
Total imports	1 199 522	1 057 130	302 349	299 371	289 987	240 422	263 359	264 783	251 786	261 724
Traditional goods	718 462	699 651	180 123	176 946	172 736	159 835	180 240	183 966	174 755	186 921
Crude oil and natural gas	25 396	22 547	7 510	7 316	7 228	5 118	4 842	5 638	6 339	5 455
Ships, oil platforms and planes	33 015	30 180	9 556	6 574	9 161	8 232	7 893	4 894	5 607	4 053
Services	422 650	304 752	105 160	108 535	100 862	67 237	70 384	70 285	65 084	65 295
Gross domestic product (market prices)	3 584 175	3 556 725	894 760	910 803	897 409	856 430	893 344	900 770	895 599	905 355
Gross domestic product Mainland Norway (market prices)	3 003 219	2 929 236	757 461	757 535	742 220	698 893	732 995	747 718	740 207	750 292
Petroleum activities and ocean transport	580 956	627 489	137 299	153 269	155 188	157 537	160 349	153 052	155 392	155 063
Mainland Norway (basic prices)	2 605 506	2 539 976	657 456	657 817	645 792	606 154	634 354	647 183	642 991	649 548
Mainland Norway excluding general govern-ment	1 949 758	1 889 434	493 107	492 498	482 717	449 756	470 237	480 274	477 777	482 393
Manufacturing and mining	224 468	218 702	57 106	57 164	56 379	52 908	54 160	56 155	56 864	56 644
Production of other goods	358 099	359 632	91 545	89 767	89 197	87 585	89 982	91 405	92 222	91 533
Services incl. dwellings (households)	1 367 192	1 311 100	344 456	345 568	337 142	309 264	326 096	332 715	328 691	334 217
General government	655 748	650 541	164 348	165 318	163 075	156 398	164 117	166 909	165 213	167 155
Taxes and subsidies products	397 713	389 260	100 005	99 718	96 428	92 739	98 641	100 535	97 216	100 744

Source: Statistics Norway.

Table 5. National accounts: Final expenditure and gross domestic product. At constant 2018 prices. Percentage change from previous period

	Unadjusted		Seasonally adjusted							
	2019	2020	19:3	19:4	20:1	20:2	20:3	20:4	21:1	21:2
Final consumption expenditure of households and NPISHs	1,4	-6,9	0,4	-0,4	-3,7	-10,4	9,3	0,3	-3,6	3,4
Household final consumption expenditure	1,3	-6,7	0,4	-0,4	-3,8	-9,9	9,3	0,2	-3,4	3,2
Goods	0,0	5,6	-0,3	-0,5	-1,7	5,4	5,8	1,4	-2,8	3,6
Services	2,8	-10,2	0,5	0,8	-4,6	-16,6	12,3	0,7	-4,5	2,4
Direct purchases abroad by resident households	0,9	-77,6	2,4	-5,2	-15,5	-97,3	462,3	-45,6	-28,1	-6,1
Direct purchases by non-residents	4,2	-67,8	-0,5	5,1	-16,4	-86,8	98,0	44,9	-29,8	-21,0
Final consumption expenditure of NPISHs	3,0	-11,8	0,4	0,3	-3,6	-17,9	7,7	1,1	-7,3	7,1
Final consumption expenditure of general government	1,9	1,7	0,7	0,7	0,1	-2,1	3,1	2,4	-1,5	1,9
Final consumption expenditure of central government	1,9	3,0	0,7	0,7	1,4	-2,2	3,4	1,7	-1,8	1,3
Central government, civilian	1,6	2,9	0,7	0,5	1,7	-2,6	3,7	1,7	-2,1	1,5
Central government, defence	3,8	3,4	0,8	1,9	-0,3	0,9	1,1	1,2	0,0	0,3
Final consumption expenditure of local government	1,9	0,5	0,6	0,6	-1,1	-2,1	2,9	3,1	-1,1	2,5
Gross fixed capital formation	4,8	-3,8	2,8	-0,9	-3,8	-2,0	-1,2	1,5	-2,9	2,8
Extraction and transport via pipelines	12,6	-4,1	0,1	5,5	-5,8	-4,4	-4,4	3,6	-3,6	4,3
Ocean transport	-68,2	77,3	37,2	12,4	101,5	-90,2	650,5	-5,4	8,7	-100,3
Mainland Norway	4,0	-4,1	3,3	-2,4	-3,9	-0,4	-1,1	1,1	-2,8	3,3
Industries	5,6	-6,1	4,1	-0,5	-4,0	-5,9	0,2	2,5	-1,1	1,1
Service activities incidential to extraction	38,7	-33,3	1,8	-3,7	-21,2	-6,8	-13,5	-30,2	12,9	18,3
Other services	3,5	-5,1	3,0	-1,6	-1,6	-8,4	2,4	6,7	-4,1	3,0
Manufacturing and mining	24,4	-11,1	9,1	-0,6	-9,4	-7,8	1,7	-3,8	0,5	2,2
Production of other goods	-0,6	-3,8	3,8	2,6	-5,3	1,7	-5,3	-2,5	5,7	-4,5
Dwellings (households)	-1,7	-4,0	0,0	-3,6	-2,2	0,3	-1,1	4,6	-1,0	3,7
General government	7,2	-1,0	5,1	-4,3	-5,2	7,4	-2,8	-3,9	-7,2	6,2
Acquisitions less disposals of valuables	5,8	-60,1	1,5	-0,8	-9,1	-86,1	219,7	-55,4	-46,7	363,3
Changes in stocks and statistical discrepancies	-0,5	-24,8	-4,8	-20,5	6,7	-48,7	81,9	-27,3	49,1	-46,0
Gross capital formation	4,1	-6,8	1,6	-3,7	-2,6	-8,1	4,9	-2,1	2,0	-3,9
Final domestic use of goods and services	2,3	-4,8	0,8	-1,2	-2,4	-7,6	6,3	0,1	-1,4	0,8
Final demand from Mainland Norway	2,1	-3,9	1,1	-0,6	-2,7	-5,8	5,0	1,1	-2,8	2,9
Final demand from general government	2,9	1,2	1,5	-0,4	-0,9	-0,3	1,9	1,2	-2,5	2,7
Total exports	0,5	-0,5	-2,3	7,0	-0,5	-7,7	3,4	2,4	-1,8	3,9
Traditional goods	4,6	-2,2	-0,4	1,7	-2,4	-7,8	8,3	3,2	1,9	0,5
Crude oil and natural gas	-4,3	10,1	-4,9	16,7	-0,2	0,7	0,4	1,5	-6,1	8,9
Ships, oil platforms and planes	1,4	-33,2	-43,0	-21,7	62,5	-49,4	28,9	-48,3	61,4	50,9
Services	3,5	-12,9	1,0	0,7	-0,2	-19,4	2,6	4,3	0,4	-1,5
Total use of goods and services	1,8	-3,6	-0,1	1,1	-1,9	-7,6	5,5	0,8	-1,6	1,7
Total imports	4,7	-11,9	-0,2	-1,0	-3,1	-17,1	9,5	0,5	-4,9	3,9
Traditional goods	5,7	-2,6	-0,9	-1,8	-2,4	-7,5	12,8	2,1	-5,0	7,0
Crude oil and natural gas	5,0	-11,2	47,9	-2,6	-1,2	-29,2	-5,4	16,4	12,4	-13,9
Ships, oil platforms and planes	-12,9	-8,6	-7,9	-31,2	39,4	-10,1	-4,1	-38,0	14,6	-27,7
Services	4,7	-27,9	-0,5	3,2	-7,1	-33,3	4,7	-0,1	-7,4	0,3
Gross domestic product (market prices)	0,9	-0,8	0,0	1,8	-1,5	-4,6	4,3	0,8	-0,6	1,1
[Gross domestic product Mainland Norway (market prices)	2,3	-2,5	0,7	0,0	-2,0	-5,8	4,9	2,0	-1,0	1,4
Petroleum activities and ocean transport	-6,1	8,0	-4,0	11,6	1,3	1,5	1,8	-4,6	1,5	-0,2
Mainland Norway (basic prices)	2,5	-2,5	0,7	0,1	-1,8	-6,1	4,7	2,0	-0,6	1,0
Mainland Norway excluding general government	2,6	-3,1	0,8	-0,1	-2,0	-6,8	4,6	2,1	-0,5	1,0
Manufacturing and mining	2,7	-2,6	-0,1	0,1	-1,4	-6,2	2,4	3,7	1,3	-0,4
Production of other goods	1,5	0,4	1,8	-1,9	-0,6	-1,8	2,7	1,6	0,9	-0,7
Services incl. dwellings (households)	2,8	-4,1	0,6	0,3	-2,4	-8,3	5,4	2,0	-1,2	1,7
General government	2,2	-0,8	0,6	0,6	-1,4	-4,1	4,9	1,7	-1,0	1,2
Taxes and subsidies products	1,4	-2,1	0,7	-0,3	-3,3	-3,8	6,4	1,9	-3,3	3,6

Source: Statistics Norway.

Table 6. National accounts: Final expenditure and gross domestic product. Price indices. 2018=100

	Unadjusted		Seasonally adjusted							
	2019	2020	19:3	19:4	20:1	20:2	20:3	20:4	21:1	21:2
Final consumption expenditure of households and NPISHs	102,3	103,9	102,3	103,2	103,3	103,8	104,0	104,1	105,3	106,0
Final consumption expenditure of general government	103,2	105,8	103,8	104,4	105,3	108,0	105,3	104,9	108,3	108,5
Gross fixed capital formation	102,6	105,8	102,8	103,3	104,6	106,3	105,8	106,5	107,6	108,6
Mainland Norway	102,4	104,8	102,5	102,8	103,9	105,1	105,0	105,3	107,3	108,3
Final domestic use of goods and services	102,5	105,1	102,5	103,6	105,0	104,6	104,4	105,8	107,0	107,9
Final demand from Mainland Norway	102,5	104,7	102,7	103,4	104,0	105,4	104,6	104,6	106,7	107,3
Total exports	95,6	82,2	94,1	94,4	88,1	76,3	81,2	83,2	98,6	103,6
Traditional goods	100,7	97,3	99,6	102,1	102,4	97,9	93,9	95,7	101,0	105,8
Total use of goods and services	100,5	98,4	100,2	101,0	100,0	96,2	97,7	99,2	104,5	106,6
Total imports	103,3	106,5	103,9	104,7	105,7	108,2	106,1	106,1	107,9	109,5
Traditional goods	102,5	106,8	102,9	103,7	104,9	109,4	107,0	106,1	108,1	110,4
Gross domestic product (market prices)	99,6	96,0	98,9	99,7	98,1	92,9	95,2	97,2	103,6	105,8
Gross domestic product Mainland Norway (market prices)	102,2	103,9	102,3	103,3	104,2	104,2	103,3	103,7	105,8	106,4

Source: Statistics Norway.

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

	Unadjusted		Seasonally adjusted							
	2019	2020	19:3	19:4	20:1	20:2	20:3	20:4	21:1	21:2
Final consumption expenditure of households and NPISHs	2,3	1,6	0,4	0,8	0,1	0,5	0,2	0,1	1,2	0,6
Final consumption expenditure of general government	3,2	2,6	1,2	0,6	0,9	2,5	-2,5	-0,4	3,3	0,2
Gross fixed capital formation	2,6	3,1	0,4	0,4	1,3	1,6	-0,4	0,6	1,1	0,9
Mainland Norway	2,4	2,4	0,2	0,4	1,1	1,1	-0,1	0,3	1,8	1,0
Final domestic use of goods and services	2,5	2,6	0,9	1,1	1,3	-0,4	-0,2	1,4	1,0	0,9
Final demand from Mainland Norway	2,5	2,1	0,6	0,7	0,6	1,3	-0,7	0,0	1,9	0,6
Total exports	-4,4	-14,0	-1,9	0,3	-6,7	-13,4	6,5	2,4	18,6	5,0
Traditional goods	0,7	-3,4	-1,3	2,5	0,3	-4,4	-4,1	1,9	5,6	4,7
Total use of goods and services	0,5	-2,1	0,2	0,8	-1,0	-3,7	1,5	1,5	5,4	2,0
Total imports	3,3	3,1	1,4	0,8	0,9	2,4	-1,9	0,0	1,7	1,5
Traditional goods	2,5	4,2	0,7	0,8	1,2	4,3	-2,2	-0,8	1,9	2,1
Gross domestic product (market prices)	-0,4	-3,6	-0,2	0,8	-1,6	-5,4	2,5	2,1	6,6	2,1
Gross domestic product Mainland Norway (market prices)	2,2	1,7	0,8	1,0	0,8	0,0	-0,8	0,4	2,0	0,5

Source: Statistics Norway.

Table 8. Main economic indicators 2012-2024. Accounts and forecasts.
Percentage change from previous year unless otherwise noted

										Projection			
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Demand and output													
Consumption in households etc.	3,5	2,8	2,1	2,7	1,1	2,2	1,6	1,4	-6,9	4,1	7,8	4,0	3,5
General government consumption	1,5	1,0	2,7	2,4	2,3	1,9	0,5	1,9	1,7	3,2	1,5	1,2	1,6
Gross fixed investment	7,5	6,3	-0,3	-4,0	3,9	2,6	2,2	4,8	-3,8	1,2	1,6	3,3	2,9
Extraction and transport via pipelines	14,6	19,0	-1,8	-12,2	-16,0	-5,4	0,7	12,6	-4,1	-2,0	-8,0	10,0	5,0
Mainland Norway	7,4	2,9	0,4	-0,2	9,0	6,8	1,5	4,0	-4,1	1,8	3,5	2,0	2,4
Industries	10,5	-3,2	-0,7	-2,8	12,6	9,2	3,1	5,6	-6,1	1,6	3,4	2,4	2,9
Housing	10,9	5,3	-1,4	3,2	6,6	7,3	-6,5	-1,7	-4,0	6,0	5,5	2,3	1,6
General government	-1,8	11,8	4,5	0,2	6,4	2,6	8,1	7,2	-1,0	-1,6	1,8	1,0	2,5
Demand from Mainland Norway[1]	3,7	2,3	1,9	2,0	3,1	3,1	1,3	2,1	-3,9	3,3	5,0	2,8	2,7
Exports	1,7	-1,8	3,4	4,3	1,1	1,7	-1,2	0,5	-0,5	2,8	7,1	4,2	2,6
Traditional goods	-0,2	1,3	3,1	6,9	-8,6	1,7	1,5	4,6	-2,2	6,4	2,3	2,9	2,6
Crude oil and natural gas	0,5	-5,5	2,7	2,1	4,9	5,1	-5,0	-4,3	10,1	0,3	6,3	4,3	1,7
Imports	2,9	5,0	2,0	1,9	2,7	1,9	1,4	4,7	-11,9	2,5	8,5	5,0	4,3
Traditional goods	2,2	1,8	1,9	2,8	-0,2	3,8	2,9	5,7	-2,6	6,0	2,6	2,4	2,9
Gross domestic product	2,7	1,0	2,0	2,0	1,1	2,3	1,1	0,9	-0,8	3,0	4,1	2,8	2,2
Mainland Norway	3,7	2,3	2,2	1,4	0,9	2,0	2,2	2,3	-2,5	3,6	3,8	2,6	2,3
Manufacturing	2,0	3,3	2,8	-4,6	-4,2	0,0	1,7	2,7	-2,6	3,4	4,9	2,3	1,3
Labour market													
Total hours worked. Mainland Norway	1,7	0,4	1,4	0,7	0,6	0,3	1,6	1,8	-2,1	2,0	2,3	0,2	1,4
Employed persons	2,0	1,1	1,0	0,5	0,3	1,2	1,6	1,6	-1,3	0,7	1,4	0,8	1,1
Labor force	1,5	1,2	0,7	1,5	0,2	-0,2	1,4	1,0	0,4	1,5	0,6	0,9	0,9
Participation rate (level)	71,4	71,2	70,7	71,0	70,4	69,7	70,2	70,5	70,4	71,7	72,0	72,3	72,6
Unemployment rate (level)	3,3	3,8	3,6	4,5	4,7	4,2	3,8	3,7	4,6	4,7	4,4	4,2	3,9
Prices and wages													
Wages per standard man-year	4,0	3,9	3,1	2,8	1,7	2,3	2,8	3,5	3,1	3,1	3,1	3,2	3,6
Consumer price index (CPI)	0,8	2,1	2,0	2,1	3,6	1,8	2,7	2,2	1,3	3,3	1,9	1,5	2,1
CPI-ATE[2]	1,2	1,6	2,4	2,7	3,0	1,4	1,6	2,2	3,0	1,9	2,2	1,9	2,0
Export prices. traditional goods	-1,9	2,7	3,4	2,0	4,0	5,2	6,2	0,7	-3,4	10,3	2,4	1,5	1,2
Import prices. traditional goods	0,3	1,4	4,3	4,6	1,7	3,5	4,6	2,5	4,2	2,5	1,0	0,8	1,4
Housing prices	6,8	4,0	2,7	6,1	7,0	5,0	1,4	2,5	3,9	9,7	4,4	1,6	1,7
Income. interest rates and excange rate													
Household real income	4,4	4,0	2,3	5,4	-1,6	2,0	1,0	2,3	2,5	2,2	2,2	2,5	2,4
Household saving ratio (level)	6,9	7,2	7,7	9,8	6,9	6,6	5,9	7,6	15,4	13,5	8,9	8,1	7,4
Norges Bank's policy rate (level)	2,2	1,8	1,7	1,3	1,1	0,9	1,1	1,6	0,7	0,5	1,2	1,7	2,0
Lending rate. credit loans(level)[3]	3,9	4,0	3,9	3,2	2,6	2,6	2,7	3,0	2,6	2,1	2,5	3,1	3,4
Real after-tax lending rate. banks (level)	2,1	0,7	0,8	0,1	-1,6	0,1	-0,7	0,2	0,7	-1,7	0,1	0,9	0,6
Importweighted krone exchange rate (44 countries)[4]	-1,2	2,2	5,3	10,5	1,8	-0,8	0,1	2,9	6,7	-5,0	0,4	0,0	0,0
NOK per euro (level)	7,47	7,81	8,35	8,95	9,29	9,33	9,60	9,85	10,72	10,23	10,24	10,24	10,24
Current account													
Current balance (bill. NOK)[5]	374	317	341	250	138	180	283	102	67	405	468	477	417
Current account (per cent of GDP)	12,6	10,3	10,8	8,0	4,5	5,5	8,0	2,8	2,0	10,4	11,1	10,8	9,1
International indicators													
Exports markets indicator	1,1	1,8	4,8	5,4	3,9	5,6	4,0	3,0	-8,4	8,5	9,2	5,3	4,6
Consumer price index. euro-area	2,5	1,4	0,4	0,2	0,2	1,5	1,8	1,2	0,3	2,2	1,7	1,9	2,0
Money market rate. euro(level)	0,6	0,2	0,2	0,0	-0,3	-0,3	-0,3	-0,4	-0,4	-0,6	-0,5	-0,3	0,0
Crude oil price US dollar (level)[6]	112	109	100	53	45	55	72	64	43	69	69	65	62
Crude oil price NOK (level)[6]	650	639	627	431	379	452	583	564	407	590	597	563	536

[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 31 August 2021.