



Economic Survey

2025 / 3

Economic developments in Norway

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Editing was finalised on Wednesday 10 September 2025

Published Tuesday 16 September 2025

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Not for publication	: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

Economic developments in Norway

After a period of weak growth in 2023 and 2024, wealth creation in the Norwegian economy has picked up appreciably so far this year. Unemployment has increased concurrently. However this is because a number of persons who have previously been outside the labour market are now trying to enter it. Inflation is considerably lower than the peak in October 2022, but still higher than the inflation target of 2 per cent. We expect the upturn in

the Norwegian economy to continue going forward. Economic activity is being boosted by higher real wages, lower interest rates and increased public demand, but constrained by weaker market prospects among our trading partners and gradually falling petroleum investment. On balance, growth in the mainland economy the next few years is expected to slightly exceed what we regard as trend growth of around 1.5 per cent.

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

	2023	2024	Seasonally adjusted			
			24:3	24:4	25:1	25:2
Demand and output						
Consumption in households etc.	-1.2	1.4	0.2	-0.2	1.7	0.2
General government consumption	3.4	2.4	0.6	0.5	0.3	0.5
Gross fixed investment	-1.5	-1.4	2.6	1.8	-5.2	4.6
Extraction and transport via pipelines	10.2	9.8	0.6	6.7	-8.7	12.1
Mainland Norway	-2.6	-4.6	2.2	-0.6	-2.2	2.1
Final domestic demand from Mainland Norway ¹	-0.3	0.3	0.8	-0.1	0.5	0.7
Exports	0.4	5.2	-2.8	-0.1	-2.2	0.8
Traditional goods	5.3	2.1	-0.7	3.1	-0.3	4.2
Crude oil and natural gas	-1.8	6.7	-5.3	-1.3	-2.7	2.1
Imports	-1.5	4.3	3.0	-0.4	-2.6	-0.6
Traditional goods	-6.2	3.8	1.0	-2.0	-0.0	1.2
Gross domestic product	0.1	2.1	-1.4	-0.9	0.1	0.8
Mainland Norway	0.7	0.6	0.7	-0.4	1.2	0.6
Labour market						
Total hours worked. Mainland Norway	0.6	0.3	0.0	0.0	0.3	0.1
Employed persons	1.3	0.5	0.1	0.1	0.4	0.2
Labour force ²	1.3	0.9	0.3	0.0	0.2	0.9
Unemployment rate. level ²	3.6	4.0	4.0	4.0	4.1	4.8
Prices and wages						
Annual earnings	5.2	5.6	..	..	..	..
Consumer price index (CPI) ³	5.5	3.1	0.3	0.8	1.3	0.4
CPI adjusted for tax changes and excluding energy products (CPI-ATE) ³	6.2	3.7	0.6	0.8	1.0	0.6
Export prices. traditional goods	0.0	-1.5	0.0	1.3	2.1	-3.1
Import prices. traditional goods	5.5	0.7	-1.5	2.1	1.3	-1.9
Balance of payment						
Current balance. bill. NOK	887	868	204	204	285	218
Memorandum items (unadjusted level)						
Money market rate (3 month NIBOR)	3.5	4.5	4.5	4.5	4.5	4.5
Lending rate. credit loans ⁴	1.3	1.5	6.0	6.0	6.0	6.0
Crude oil price NOK ⁵	867	856	843	813	828	684
Importweighted krone exchange rate. 44 countries. 1995=100	119.4	120.3	121.1	121.8	121.4	119.1
NOK per euro	11.42	11.63	11.76	11.76	11.65	11.67

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

² According to Statistics Norway's labour force survey (LFS).

³ Percentage change from the same period the previous year.

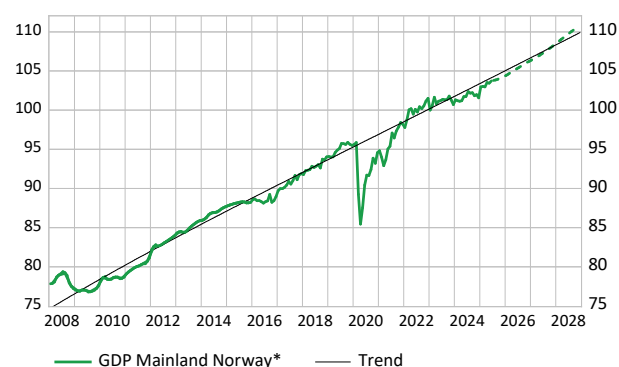
⁴ Period averages.

⁵ Average spot price. Brent Blend.

Source: Statistics Norway and Norges Bank

Figure 1. GDP Mainland Norway and estimated trend

Seasonally adjusted, index 2022 = 100

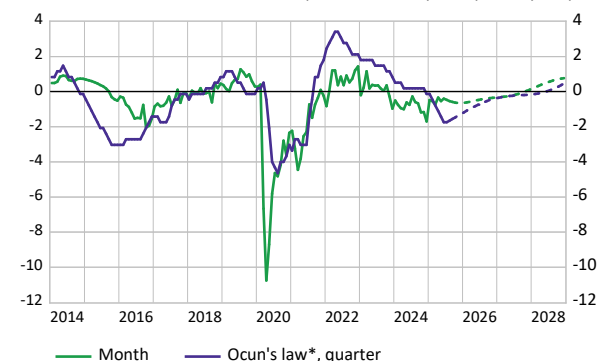


* Quarterly figures before 2016, monthly after. The trend is estimated by an HP-filter (lambda = 40 000 quarterly), but such that the trend is not directly affected by the development of economic activity in 2020 and 2021.

Source: Statistics Norway

Figure 2. Output gap, Mainland Norway

Deviation from estimated trend GDP in percent, monthly and quarterly frequency

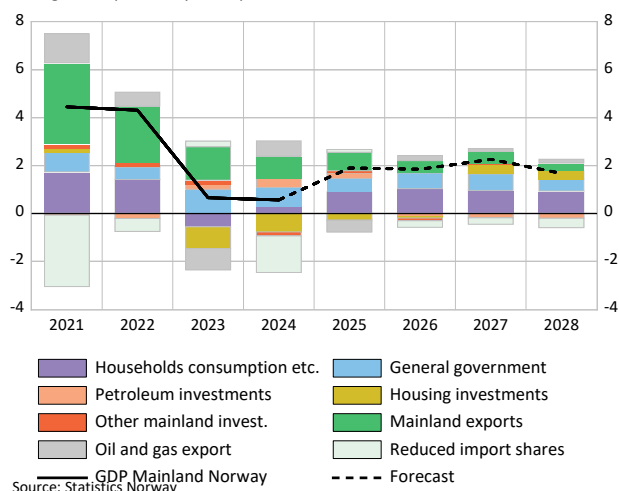


* The series «Ogun's law» is based on a correspondence between the rate of unemployment and the output gap, cf. box 2.1 i Economic surveys 4/2022. The rate of unemployment is measured relative to the historical average 2010-2020.

Source: Statistics Norway

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

Change from previous year in percent



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. All figures are in constant prices.

Mainland exports are defined as total exports excluding exports of crude oil, natural gas and shipping.

Other factors include changes in stocks and statistical errors and omissions.

The krone has depreciated by 0.6 per cent, measured by the import-weighted exchange rate, since our last economic report. We assume that the exchange rate will remain at its early September level in the years ahead. All else being equal, a weaker krone contributes to higher inflation through both a rise in prices for imported goods and services and wage growth attributable to improved competitiveness.

The annual rise in the consumer price index (CPI) was historically high in 2022 and 2023, but eased considerably in 2024, ending up at an annualised average of 3.1 per cent. In August this year the 12-month rise in the CPI was 3.5 per cent. A high rise in prices for food, non-alcoholic beverages and electricity has contributed to maintaining inflation at a high level in recent months. A fixed electricity price (the 'Norway price') is being introduced in October, and this, coupled with lower excise duty on electricity, is expected to depress price inflation measured by the CPI in Q4. We forecast CPI inflation of 3.0 per cent this year. This is an upward revision of 0.2 percentage point compared with our previous economic report in June. The upward revision reflects inflationary developments in recent months, a slightly weaker krone and higher projections for wage growth and global inflation. In view of the shortage of rentals and lags in price adjustments for existing leases, we assume that the increase in rents will be somewhat higher than general inflation in the years ahead. This service category accounts for about 20 per cent of the weighting basis for the CPI and will lead to inflation remaining higher than the inflation target, measured by the CPI-ATE, in the years ahead. According to our projections, inflation measured by the CPI will fall from 3.0 per cent this year to 2.2 per cent next year. Measures to reduce household electricity costs are expected to bring down inflation in 2026. The inflation rate is subsequently forecast to be about 2.5 per cent in 2027 and 2028.

After close to two years with a relatively high key policy rate, Norges Bank reduced the interest rate to 4.25 per cent before the summer, and indicated that there will be further cuts going forward. Norges Bank sets the policy rate primarily to stabilise inflation at around 2 per cent and to ensure financial stability. The central bank also takes into account that a higher interest rate impacts activity in the Norwegian economy. Wage growth is appreciably

Table 2. Growth in GDP Mainland Norway and contributions from demand components¹. Percentage points. Annual rate

	QNA				Projection			
	2021	2022	2023	2024	2025	2026	2027	2028
GDP Mainland Norway	4.5	4.3	0.7	0.6	1.9	1.8	2.3	1.7
with contributions from:								
Consumption by households and non-profit organisations	1.7	1.4	-0.6	0.3	0.9	1.0	1.0	0.9
General government consumption and investment	0.8	0.5	1.0	0.8	0.6	0.7	0.7	0.5
Petroleum investment	-0.1	-0.2	0.2	0.4	0.2	-0.1	-0.2	-0.2
Housing investment	0.2	0.0	-0.9	-0.8	-0.3	-0.1	0.4	0.4
Other mainland investment	0.2	0.2	0.2	-0.2	0.1	-0.1	0.0	0.0
Exports from Mainland Norway	3.4	2.3	1.4	0.9	0.8	0.5	0.5	0.3
Exports of oil and gas	1.2	0.6	-0.9	0.6	-0.5	0.2	0.1	0.2
Reduced import shares	-3.0	-0.5	0.2	-1.5	0.1	-0.3	-0.3	-0.4

¹ See explanation under Figure 3.

Source: Statistics Norway.

higher than assumed by the central bank. Experience shows that considerable weight is attached to wage growth, so it is likely to take a little longer before the interest rate is cut. We expect one more interest rate cut this year, and that the rate will be reduced by a further 0.5 percentage point in the course of 2026. This will bring the policy rate down to 3.5 per cent towards the end of 2026. With inflation higher than the target, we assume that the interest rate will be kept at this level through 2027 and 2028, which is right near the top of the range cited by Norges Bank as a neutral policy rate.

Public investment and consumption account for approximately a third of the mainland economy, and these demand components have grown appreciably more than trend growth in the economy through 2023 and 2024 and so far this year. The investment level, which includes roads, infrastructure, public buildings and defence, thus remains high in a historical perspective. Along with the budgets of previous years, the Government's proposed revised budget for 2025 and the settlement with the Centre Party and Socialist Left will have an expansionary effect on the economy this year. Spending of the resources in the Norwegian Pension Fund Global (the petroleum fund) is forecast to be equivalent to 2.7 per cent of the fund's value at the start of this year. This is slightly less than the expected real return of 3 per cent forming the basis for the fiscal rule. Despite the increased investment in defence, the percentage withdrawn is expected to remain less than 3 per cent further out in the projection period. There is nonetheless scope within the bounds of the fiscal rule for public consumption and investment combined to grow by about 2 per cent in the next few years. This is higher than trend growth in the Norwegian economy,

and we therefore expect fiscal policy to continue making an expansionary contribution to economic activity through the projection period.

Household consumption, which accounts for about half of mainland GDP, picked up markedly in 2024 and this year following weak developments through 2023. In 2024 consumption increased by about 1.5 per cent, and in the first half of this year was 3 per cent higher than in the same period last year. Goods consumption in particular has increased markedly. Given strong growth in both real disposable income and real wealth, consumption growth will remain buoyant at around 3 per cent in the years up to 2028. Income growth is driven by higher wage income and lower interest rates. Our projections imply that the saving ratio adjusted for pension fund saving will hover slightly above its historic average of close to zero in the years ahead.

Business investment has accounted for around 10 per cent of GDP since 1990. Because of the wide fluctuations in investments, they normally have a stronger impact on economic developments than this share would suggest in itself. The investment level is currently high, and for the past five years has been well over the historical average. Reporting to Norges Bank and Statistics Norway reveals a mixed investment picture. Whereas service businesses report lower investment, a sharp increase is expected in power supply and some manufacturing segments. On balance, developments in business investment are likely to be almost flat in the years ahead.

Preliminary national accounts figures show that housing investment has picked up a little this year after falling by almost 20 per cent in both 2023

Table 3. Main economic indicators 2024-2028. Accounts and forecasts.
Percentage change from previous year unless otherwise noted

	Acco- unts 2024	Forecasts										
		2025			2026			2027			2028	
		SN	NB	MoF	SN	NB	MoF	SN	NB	MoF	SN	NB
Demand and output												
Consumption in households etc.	1.4	3.0	2.9	2.1	3.3	2.2	2.4	2.9	1.9	..	2.7	1.6
General government consumption	2.4	2.1	2.0	3.1	2.3	2.8	1.2	2.0	2.0	..	1.3	1.6
Gross fixed investment	-1.4	0.7	..	0.2	-1.1	..	1.3	2.2	..	..	1.6	..
Extraction and transport via pipelines	9.8	6.0	5.0	1.0	-4.0	-6.0	-8.0	-5.0	-5.0	..	-6.0	-4.0
Industries	-2.9	1.4	1.3	2.5	-2.0	3.6	2.9	0.9	3.2	..	0.4	1.9
Housing	-19.1	-8.9	-6.4	-6.5	-2.7	9.9	12.0	14.0	10.3	..	11.4	7.4
General government	3.9	0.7	..	0.1	1.6	..	0.5	4.1	..	..	3.5	..
Demand from Mainland Norway ¹	0.3	1.9	2.0	1.9	2.1	2.8	2.4	2.9	2.4	..	2.5	1.9
Exports	5.2	-1.3	..	2.5	0.9	..	1.1	0.0	..	..	-1.8	..
Traditional goods ²	2.1	4.5	3.4	-3.3	2.5	1.2	0.4	2.2	1.9	..	1.0	2.3
Crude oil and natural gas	6.7	-3.0	..	-1.1	-0.3	..	1.1	-2.0	..	..	-4.6	..
Imports	4.3	1.4	2.4	2.6	2.6	3.0	1.7	2.7	3.2	..	2.5	2.8
Gross domestic product	2.1	0.2	0.1	0.0	1.1	1.0	1.2	1.0	0.3	..	-0.3	-0.2
Mainland Norway	0.6	1.9	1.6	1.8	1.8	1.4	1.6	2.3	1.4	..	1.7	1.4
Labour market												
Employed persons	0.5	0.7	0.9	0.7	0.6	0.7	0.7	0.5	0.7	..	0.5	0.7
Unemployment rate (level)	4.0	4.5	..	4.1	4.3	..	4.1	4.1	..	..	4.1	..
Prices and wages												
Annual earnings	5.6	4.9	4.5	4.4	4.0	4.1	4.0	3.8	3.6	..	3.5	3.3
Consumer price index (CPI)	3.1	3.0	3.0	2.8	2.2	2.2	2.6	2.6	2.3	..	2.4	2.1
CPI-ATE ³	3.7	3.1	3.1	3.0	2.9	2.7	2.6	2.6	2.2	..	2.5	2.1
Housing prices ⁴	2.7	4.5	6.2	..	3.6	8.5	..	4.7	6.5	..	4.0	..
Balance of payment												
Current balance (bill. NOK) ⁵	868	848	..	904	709	..	..	619	..	..	565	..
Current account (per cent of GDP)	16.7	15.7	..	16.6	12.9	..	..	10.9	..	..	9.7	..
Memorandum items:												
Money market rate (level)	4.7	4.4	..	4.5	3.8	..	3.8	3.8	..	..	3.8	..
Crude oil price NOK (level) ⁶	80	69	..	70	65	..	67	65	..	..	66	..
Import weighted krone exchange rate (44 countries) ⁷	0.8	-0.7	-1.2	0.1	-1.0	-1.1	-0.3	0.0	0.0	..	0.0	0.0

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.

Source: Statistics Norway (SN). Ministry of Finance. Revidert nasjonalbudsjettet 2025 (MoF). Norges Bank. Pengepolitisk rapport 2/2025 (NB).

and 2024. Housing investment accounts for about a fifth of overall mainland investment, and the significant slowdown in recent years has depressed activity in the Norwegian economy as a whole. Although the number of registered housing start permits has increased this year, this will not necessarily be reflected in a corresponding rise in actual investment going forward. Because of higher building costs, it is likely that the investment level will remain low for a while, and that residential con-

struction will only begin to pick up more markedly next year. Higher resale home prices will boost the upturn. The August figures published by Real Estate Norway show a clear rise in house prices following weak developments since the peak in February. Given a clear increase in real income and interest rate cuts, house prices are expected to pick up further. We expect prices to rise by between 4 and 5 per cent this year, and by between 3 and 5 per cent by 2028.

Petroleum investment appears likely to peak this year. Investment growth was strong in both 2023 and 2024, but has been somewhat more moderate so far this year. For the year as a whole, we expect an increase of around 6 per cent, which will be very largely attributable to far higher investment in fields in operation. Businesses also report somewhat higher investment in the categories exploration and concept studies, onshore activities and pipeline transport. The start-up of the large Wisting field in the Barents Sea is planned for late 2026. Although this and some other new investment projects are planned for the years ahead, they will not be sufficient to compensate for the development projects that were launched in 2022 and 2023, and which are gradually reaching completion. Petroleum investment is accordingly expected to decline in the years ahead. Although half of the deliveries of capital goods to the petroleum sector are imported, the deliveries also generate considerable demand for mainland Norway. The expected fall in petroleum investment will push down growth in the mainland economy by between 0.1 and 0.3 percentage point annually from 2026 to 2028.

The wage growth projection for 2025 has been revised substantially upward. The four-quarter growth in average monthly basic earnings in 2025 Q2 was 5.3 per cent. This is somewhat higher than in the previous three quarters, and far higher than the projected norm for annual wage growth in overall manufacturing under the Confederation of Business and Industry (NHO) of 4.4 per cent in 2025. Wage growth is broad-based. We are therefore revising our projection for annual wage growth in 2025 up by 0.5 percentage point compared with our previous report, to 4.9 per cent. Preliminary national accounts figures indicate that the labour share, which is a measure of the share of wealth creation in the economy that accrues to wage earners, is estimated to be around 74 per cent for manufacturing in 2024. This is much lower than the average of around 80 per cent for the period 2010–2024, which is partly due to developments in commodity prices in recent years (see Box 1). The low labour share indicates that wage growth will remain buoyant in the years ahead, although it is expected to decline gradually towards 3.5 per cent in 2028. Taking account of our inflation projections, this means that real wage growth will be around 1.9 per cent this year. This is slightly higher than the projection that implicitly formed

the basis for the wage settlement earlier this year, i.e. the wage leader norm less the inflation projection in the March report from the Technical Reporting Committee on Income Settlements. According to our projections, growth in real wages will decrease gradually, to just over 1 per cent in 2028.

Unemployment as measured by the Labour Force Survey (LFS) rose from a low level of 3.2 per cent in 2022 to around 4.0 per cent at the beginning of 2025, and then increased appreciably. According to the LFS trend figure, unemployment was 4.6 per cent in July. The increase is largely attributable to the increased labour supply due to a number who were outside the labour force registering as job-seekers. The number registered as fully unemployed with the Norwegian Labour and Welfare Administration (NAV) is still low, however. The growing disparity between registered unemployment and LFS unemployment is probably due to LFS unemployment increasing in some groups with little incentive to register with NAV as unemployed, for example young people with no right to unemployment benefit. More job-seekers are expected to find work going forward. There are still many vacancies, although they have decreased recently. Employment has risen steadily since the end of the Covid period, and the rise has been somewhat stronger so far in 2025 compared with the same period last year. A continued rise in participation is expected to lead to unemployment peaking this year and falling as an annual average, from 4.5 per cent in 2025 to 4 per cent in 2028.

The labour market has changed substantially since the publication of our last economic report. A number who were previously outside the labour force are now job-seekers, and unemployment has increased considerably in a short period of time. In addition, annual wage growth this year looks set to be markedly higher than the wage leader norm. In the years ahead, annual wage growth is expected to remain at a high level as a result of continued solid wage leader profitability, which will continue to provide impetus to household consumption. At the same time, there is scope within the bounds of the fiscal rule for appreciable growth in public consumption, investment and transfers. Residential construction will pick up gradually. These drivers will more than compensate for the negative impulses from lower petroleum investment. We therefore expect the Norwegian economy to grow

Box 1. The significance of commodity prices for the Norwegian economy

The strong increase in demand after the pandemic, coupled with the subsequent war in Ukraine, has caused prices for crude oil and natural gas exports to rise to record levels. At the same time, supply chain bottlenecks related to the pandemic and higher investment in green technology led to a pronounced rise in prices for energy-intensive manufactured products such as basic metals, industrial chemicals, and pulp and paper products. The high oil and gas prices substantially increased the petroleum industry's share of the Norwegian economy, in terms of both wealth creation and exports; see Fig. 1. The share of energy-intensive manufacturing changed to a relatively limited extent, however. In this box we show that, despite the different sizes of these commodity sectors, prices for both petroleum and industrial commodities have had a major bearing on economic developments in recent years.

To illustrate the significance of commodity prices for the Norwegian economy, we constructed two counterfactual scenarios: one in which real oil and gas prices remain at their 2021 Q1 level (see Fig. 2), and a corresponding scenario for basic metals, industrial chemicals, and pulp and paper products (see Fig. 3).¹ This gives us an estimate of what the Norwegian economy would have been like without the higher commodity prices, and we compare the scenarios with the actual outcome, including our projections for 2025 (the projection scenario). The analysis was performed with the aid of the KVARTS macroeconomic model.² In order to isolate the effects of commodity prices on the Norwegian economy, we consider only changes in export and import prices that are due to global price movements, and not to the depreciation of the krone.³ The krone exchange rate, fiscal policy and developments in the global economy are assumed to remain constant in the analysis.

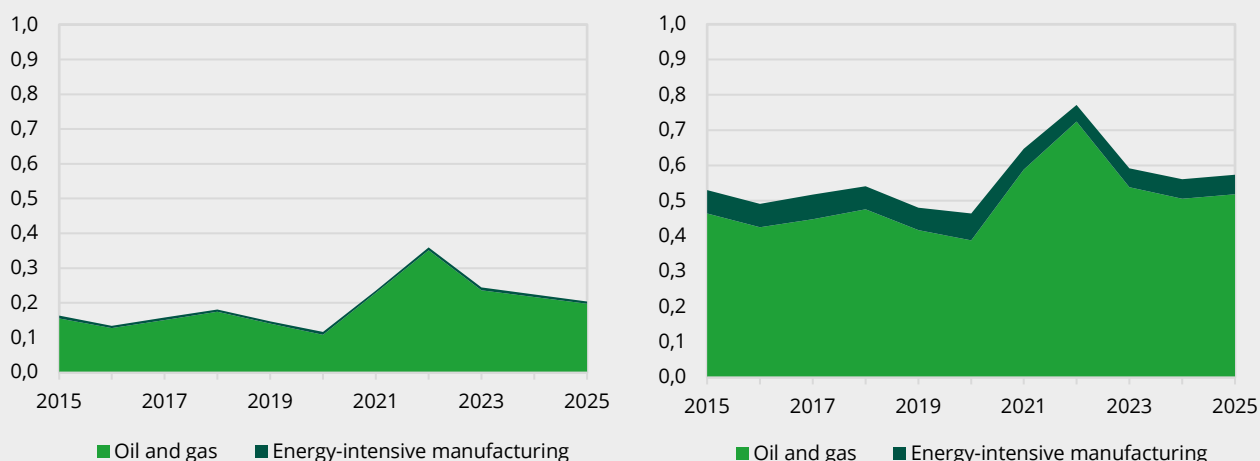
A higher oil price leads to greater activity and more investment in the petroleum industry; see Skretting 2024. According to our projections, the increase in the real oil price boosted petroleum investment by about 5 per cent in the period 2022–2024. Although the petroleum industry is not included in the mainland economy, increased activity in this sector leads to higher mainland demand in the form of goods and services for investment and ongoing operations. According to Hungnes et al. (2022), when account is taken of indirect deliveries from imports and domestic subcontractors, about 60 per cent of investment is covered by deliveries from domestic suppliers.⁴ Strong impulses from the petroleum industry have thus given impetus to mainland activity, and boosted mainland GDP by 0.4 per cent in 2023. As a result of export prices falling again this past year, the difference between the counterfactual and projection paths has narrowed.

The unemployment rate has been only slightly affected by the increase in oil and gas prices. While investment in the petroleum industry has accounted for about 20 per cent of total investment in Norway over the past decade, the sector's share of employment has been less than 1 per cent.⁵ Our projections imply that higher oil and gas prices have pushed unemployment down by a tenth from and including 2023.

As the petroleum industry does not make any direct deliveries to Norwegian consumers, the effect on Norwegian consumer prices is indirect, in the form of a higher activity level and more expensive energy products.⁶ Higher energy prices increase business costs, which passed on through higher consumer prices.

Higher offshore demand affects manufacturing segments in different ways. The engineering industry, which delivers platforms to the petroleum industry, benefits from higher oil and gas prices. In contrast, energy-intensive manufacturing

Figure 1. The petroleum sector's and energy-intensive manufacturing's shares of wealth creation (left-hand panel) and exports (right-hand panel) in current prices



Source: Statistics Norway

¹ The counterfactual scenario entails a lower oil price than the historical one up to 2025 Q2.

² See Boug et al. (2023).

³ See Box 2 in Economic Survey 4/2023 for the effects of the depreciation of the krone on the Norwegian economy.

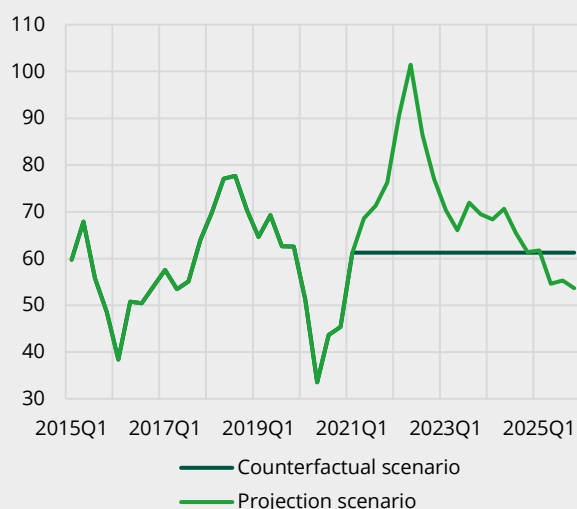
⁴ Direct deliveries from domestic suppliers account for around 80 per cent.

⁵ If we take into consideration deliveries from other industries, employment associated with the petroleum industry accounts for around 5–6 per cent of total employment; see Hungnes et al. (2022).

⁶ A higher oil price would also increase inflation among Norway's trading partners, resulting in increased imported inflation. On the other hand, a higher oil price might cause the krone to strengthen, which in turn would reduce imported inflation. See Box 5 in Economic Survey 1/2019.



Figure 2a. Brent oil price in USD. Historical and forward prices. Deflated by the price index for processed import goods from Norway's trading partners normalised to 1 in 2021 Q1



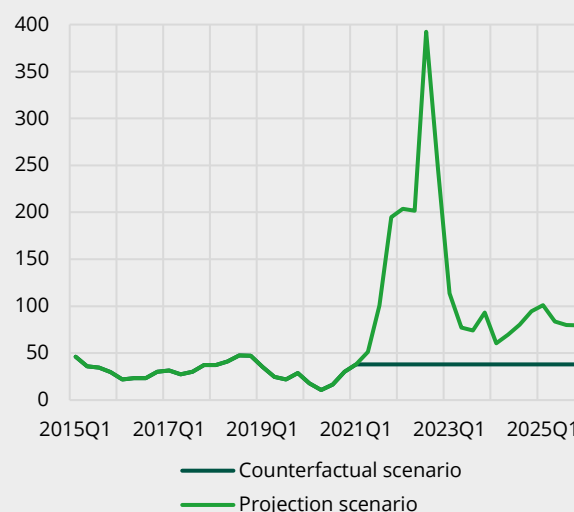
Sources: ICE Brent North Sea, ICE Brent Crude, Statistics Norway

makes modest deliveries to the petroleum sector, while the two sectors compete for the same production factors. As wage growth is fixed through the wage-leader model, where the traded sector negotiates first and establishes the norm for the rest of the economy, it is the overall effect on manufacturing that determines how higher oil and gas prices influence wage developments. These effects have been modest, as illustrated by Figure 4.

When oil and gas prices rise, the Norwegian State's petroleum sector income increases. This takes place mainly through the State's Direct Financial Interest in oil and gas fields, higher tax revenues from petroleum companies and larger dividends from the State's ownership interest in Equinor. These extra revenues are transferred to the petroleum fund. The fund invests in equities, bonds and property in countries other than Norway, and the return on this extra income contributes to further growth in the value of the fund over time. Figure 5 shows that the high oil and gas prices of recent years have raised the value of the fund by more than NOK 2 200 billion in 2025. This increase is roughly equivalent to the proposed fiscal budget for the current year.

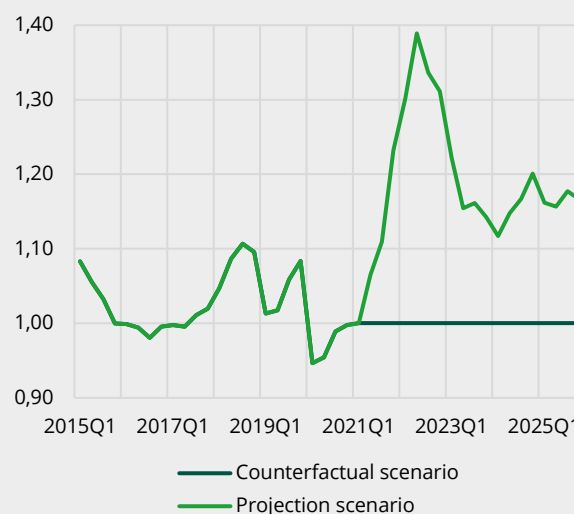
The direct effect of higher industrial commodity prices on domestic activity is relatively limited. As in the petroleum industry, the employment share in energy-intensive manufacturing is low, and has been less than 1 per cent in recent decades. Unlike the petroleum industry, the investment share is also low. Despite substantial growth in recent years, it consists of less than 2 per cent of overall investment. When the demand channel of other mainland industries is considered, an equivalent increase in the oil price, in isolation, would have a stronger effect on mainland GDP. The increase in mainland wealth creation in 2023 is therefore less for higher manufacturing prices than for higher oil and gas prices. The impact on mainland GDP is greater later on, however, but differences in price developments for final deliveries across industries can only provide a partial explanation for this. The effect is also largely attributable to the fact that prices for industrial commodities have an indirect effect on the economy through

Figure 2b. Gas price per barrel of oil equivalent. Historical and forward prices. Deflated by the price index for processed import goods from Norway's trading partners normalised to 1 in 2021 Q1



Sources: World Bank, ICE Dutch TTF, Statistics Norway

Figure 3. Index of competitive prices for energy-intensive manufactured products in foreign currency. Historical and forward prices. Deflated by the price index for processed import goods from Norway's trading partners normalised to 1 in 2021 Q1

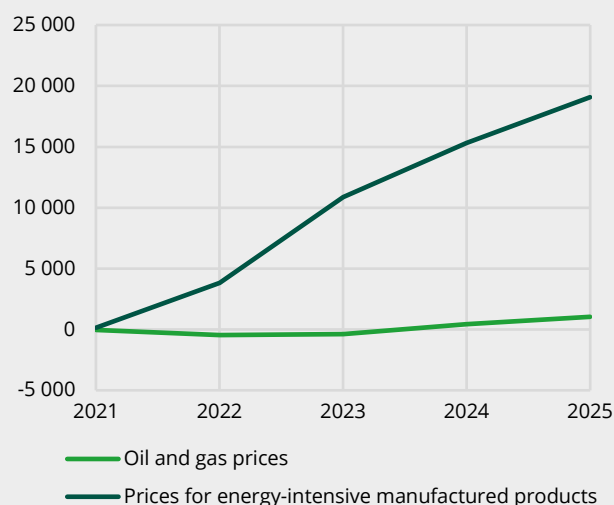


Source: Statistics Norway

wage formation. The profitability of energy-intensive manufacturing is an explicit factor in wage negotiations in the wage-leader segment. When higher global market prices increase the operating profit, and hence profitability, wage growth in the wage-leader segment rises. This increase in labour costs then spreads to the rest of the economy. According to our projections, high global market prices for industrial commodities pushed up average annual wages by around NOK 19 000 in 2025; see Figure 4. Adjusted for the rise in consumer prices from 2021 to 2025, the real value of the wage increase amounts to just over NOK 11 000. By way of contrast, real wages appear likely to rise by a bare NOK 16 000 from 2021 to 2025 according to the projection scenario's forecast for the rise in prices and annual wages in 2025. Higher prices for



Figure 4. Average annual wage. Current prices. Difference between the counterfactual and projection paths



Source: Statistics Norway

energy-intensive manufactured products have thus been a key driver of wage growth and have boosted domestic demand and private consumption.

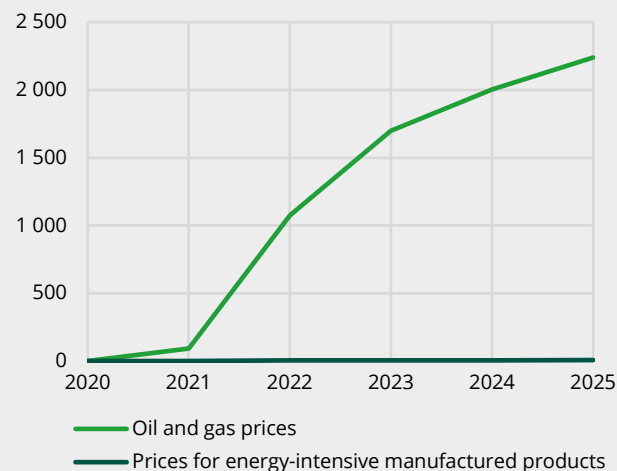
As with the petroleum industry, energy-intensive manufacturing only makes negligible direct deliveries to Norwegian households. The effects on Norwegian consumer prices come indirectly, through higher prices for intermediate inputs. Higher inflation and stronger domestic demand push up money market rates. Given flat developments in real prices for industrial commodities, the policy rate in 2025 would have been 0.3 percentage point lower than in our projections.

The sky-high petroleum prices of recent years have boosted offshore activity, which has translated into increased activity in mainland industries. High oil and gas prices have also led to record surpluses for petroleum companies, and accordingly added extensive revenue to the petroleum fund and expanded fiscal leeway. Compared with the petroleum sector, the demand impulses generated by energy-intensive manufacturing to other industries are small. Changes in commodity prices in this industry affect the economy through the wage-leader model, however, and have thus substantially influenced wage growth and domestic demand in recent years.

Our analysis is partial. Changes in commodity prices act not only through the activity of the export industries, but also via trading partners' demand. The effect depends on whether prices are driven by global demand or by supply shocks. In our period, supply shocks in the petroleum market predominate, which has probably depressed activity among our trading partners. The oil price and petroleum activities also affect the krone exchange rate; see Benedictow and Hammersland (2023) and Bjørnland et al. (2024). In isolation, a weaker krone due to a lower oil price boosts the profitability of mainland industry and pushes up inflation. Fiscal policy is kept unchanged, i.e. with unchanged tax rates and an unchanged level of public investment and consumption. A tighter fiscal policy in response to lower energy prices could have affected activity, depending on how the resources were deployed.⁷

⁷ See Box 2 in Economic Survey 2/2024 for an analysis of how increased public spending affects the Norwegian economy.

Figure 5. The Government Pension Fund Global (petroleum fund). Millions of NOK. Current prices. Difference between the counterfactual and projection paths



Source: Statistics Norway

A particular feature of developments in the petroleum industry in recent years is the oil tax package of June 2020, which was intended to maintain the level of offshore investment; see Box 2 in Economic Survey 1/2021. The package led to strong investment growth in 2023–2024, particularly in field development. At the same time, this may have crowded out investment in categories such as production drilling and exploration, which typically respond to changes in the oil price. The estimated effect of changes in oil and gas prices on petroleum investment must thus be considered bearing this in mind. The analysis only covers short- and medium-term effects. The loss of oil and gas revenue as a consequence of lower prices will reduce withdrawals from the petroleum fund in all future periods. We have also assumed that oil and gas production remains unchanged, as it takes time for investment to result in increased production. In the longer term, greater petroleum sector profitability may generate substantial knock-on effects for other industries, which in turn will lead to stronger wage growth in the economy (see also Bjørnland et al., 2019).

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Table 1. Effects on main macroeconomic aggregates of higher oil and gas prices

Difference between the counterfactual and projection paths in per cent unless otherwise indicated

	2021	2022	2023	2024	2025
Mainland GDP	0	0.2	0.4	0.3	0
Private consumption	-0.1	0.6	0.6	0.3	0.1
Petroleum investment	0.2	2.7	8	6.1	0.6
CPI	0.2	0.7	0.4	0.3	0.2
Annual wages	0	-0.1	-0.1	0.1	0.1
Unemployment. Percentage points	0	0	-0.1	-0.1	-0.1
Money market rate. Percentage points	0	0.1	0.1	0.1	0.1
Petroleum fund	0.7	9.5	12.1	11.3	12.4
Assumptions					
Oil price	13.4	44.9	13.4	8.5	-8
Gas price	140.1	425.5	101.7	65.3	79.9
Export price foreign currency	0	0	0	0	0

Source: Statistics Norway

Table 2. Effects on main macroeconomic aggregates of higher prices for manufactured products

Difference between the counterfactual and projection paths in per cent unless otherwise indicated

	2021	2022	2023	2024	2025
Mainland GDP	0	0.1	0.2	0.3	0.4
Private consumption	0	0.2	0.5	0.7	1
Petroleum investment	0	0	0	0	0
CPI	0	0.2	0.3	0.7	0.9
Annual wages	0	0.6	1.6	2.2	2.6
Unemployment. Percentage points	0	0	0	0	0
Money market rate. Percentage points	0	0.1	0.1	0.2	0.3
Petroleum fund	0	0	0	0	0
Assumptions					
Oil price	0	0	0	0	0
Gas price	0	0	0	0	0
Export price foreign currency	10.3	33.4	17	15.8	16.6

Source: Statistics Norway

at slightly higher than the trend rate in the coming years, and that unemployment will gradually decline.

Our projections are shrouded in uncertainty, particularly with respect to further developments in the global economy and how they may impact our domestic activity. There is also great uncertainty surrounding further movements in the krone exchange rate. What is certain, is that economic shocks not taken into account in our forecasts will also occur in the future. However, experience gained from such shocks may provide valuable insight into how they should be handled, and hence contribute to more accurate forecasts (see Box 2). Our projections must be interpreted such that economic shocks have an approximately equal probability of occurring on the upside as on the downside of the projection path.

Fiscal policy with a focus on security

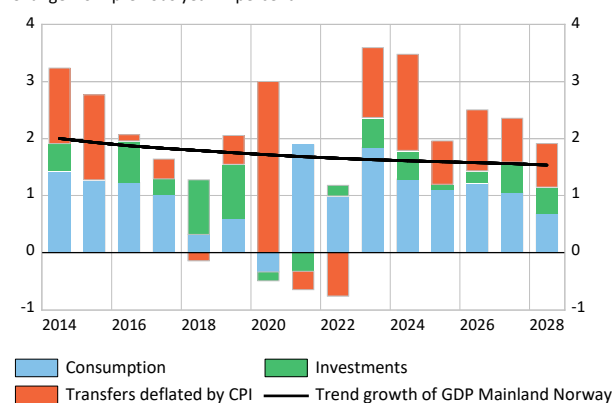
Public consumption grew steadily in 2024 and the first half of 2025. General government consumption grew by 0.3 and 0.5 per cent in 2025 Q1 and Q2, respectively. Central government consumption increased 0.5 per cent in Q2, while defence spending rose by 2.7 per cent. Local government consumption edged up 0.4 per cent in Q2, General government gross investment increased by 0.7 per cent in 2025 Q2. The level of general government investment is still high in a historical perspective.

The proposals in the Revised National Budget 2025 (RNB25) entail an increase in withdrawals from the petroleum fund, measured by the structural non-oil budget deficit, from NOK 492.3 billion in the Final Budget Bill to NOK 542.4 billion. The increase of NOK 50 billion is to go in its entirety to strengthening support for Ukraine. The projection for structural direct and indirect taxes was revised up by NOK 6.5 billion, while other income has been reduced somewhat. Increased transfers to municipalities to meet higher pension costs and the introduction of the Norway (fixed) price for electricity are pushing up costs, while the reduced estimate for reception of refugees is pushing them down. The Government also proposed in RNB25 that the tax on electricity be reduced by 4.4 øre per kWh from 1 July, and that the Enova tax, which finances the promotion of sustainable energy, be abolished from 1 January 2026. Excluding the NOK 50 billion increase in support for Ukraine, fund withdrawals as a share of trend mainland GDP will remain unchanged from the 11.7 per cent in the Final Budget Bill.

Transfers to local councils were increased by NOK 1.6 billion in 2025 through a settlement with the Centre Party and the Socialist Left. The transfers are intended to finance collective transport projects and lower day-care prices from August. The cap for the Norway price was set at 5 000 kWh per month, the same as for energy support. The reduction in the electricity tax was postponed until

Figure 4. Contributions to growth in government expenditure

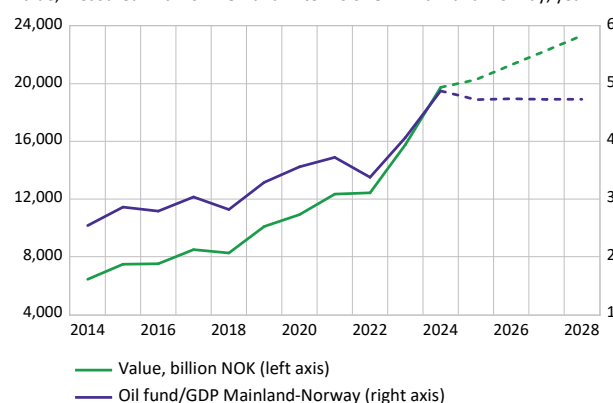
Change from previous year in percent



Source: Statistics Norway

Figure 5. The Norwegian Oil Fund / Government Pension Fund Global

Value, measured in billion NOK and in terms of GDP Mainland-Norway, year



Source: NBIM and Statistics Norway

1 October, and the Enova tax will not be discontinued. The budget for 2025, coupled with the stimulus from previous years' budgets, is expected to have an expansionary effect on the economy in 2025. The Government also proposes reducing the tax on electricity to 4.18 øre per kWh in 2026. The focus on strengthening defence will continue. The Government additionally proposes NOK 85 billion of support for Ukraine in 2026.

Spending based on the proposals in RNB25 implies withdrawals equivalent to 2.7 per cent of the fund's capital from the Government Pension Fund Global. The settlement with the Centre Party and the Socialist Left does not change the withdrawal amount. The value of the fund at the beginning of 2025 was approximately NOK 19 700 billion, and in mid-September it was close to NOK 20 000 billion. Uncertainty regarding global trade policy and the possibility of further fluctuations in financial and currency markets create a risk to the value of the fund. We assume that the real return on the fund will be 3 per cent, and that inflows will be based on oil and gas prices that track forward prices. In the forecasts in this report, we assume that the investment in defence will continue. This implies that Norway will attain the new NATO target that at least 3.5 per cent of GDP should be spent purely on defence by 2035, and that 1.5 per cent of GDP should additionally be used on measures to improve countries' security. The purchase of frigates from the UK is part of this investment. Imports of military defence materiel and support for Ukraine will have little impact on activity in the Norwegian economy. However, purchases of materiel produced in Norway, as well as investment in and upgrading of Norway's defence infrastructure, will

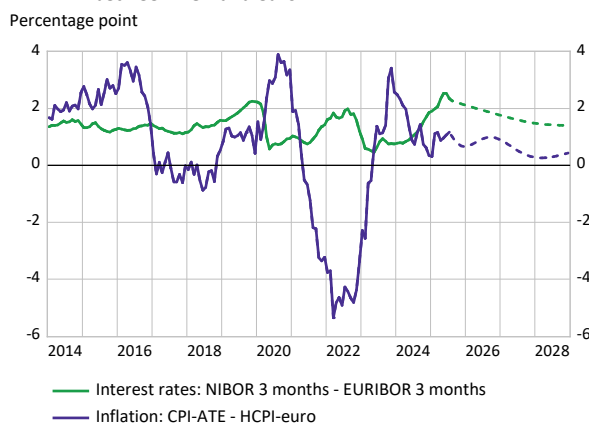
boost economic activity. A gradually expanding health and care sector will also promote economic activity going forward. The percentage withdrawn, excluding extraordinary supplementary support to Ukraine, is expected to remain below 3 per cent further out in the projection period despite the increased investment in defence.

RNB25 forecast that growth in general government consumption and gross investment would be 3.1 and 0.4 per cent, respectively, in 2025, and 1.2 and 0.5 per cent in 2026. We forecast growth in general government consumption and gross investment of 2.1 and 0.7 per cent, respectively, in 2025, and that public consumption and investment will increase by around 2 per cent in 2026. The projections for gross investment are somewhat lower than in the previous report. Public consumption is forecast to rise by 1–2 per cent annually further out in the projection period. The moderate growth projection is partly due to a change in priorities in favour of increased defence spending. We expect the real value of transfers, measured by the consumer price index, to increase slightly more than 2 per cent in 2025. Moreover, we expect growth of about 2.5 per cent further out in the projection period, partly because of the growing number of old-age pensioners.

One more interest rate cut this year

In June Norges Bank cut the key policy rate by 0.25 percentage point, the first cut since 2020. At the August monetary policy meeting the rate was kept unchanged at 4.25 per cent, and the committee signalled that it will be reduced further in the course of 2025 if developments are roughly as forecast. [Norges Bank's June Monetary Policy Report](#) pre-

Figure 6. Interest rate and inflation differential between NOK and euro



Source: Norges Bank and Statistics Norway

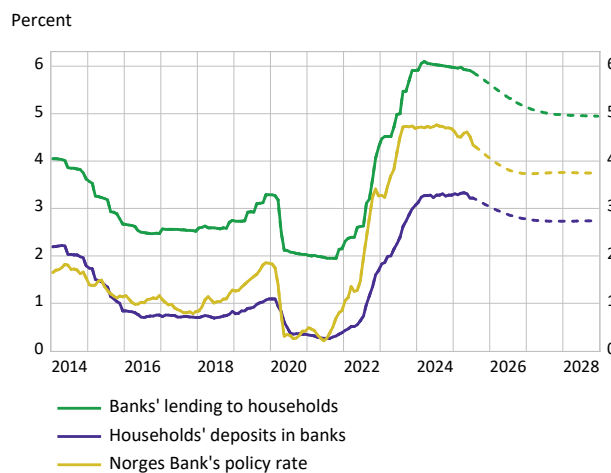
sents an interest rate scenario that points to a new cut at the monetary policy meeting in September, with the possibility of a further cut in December. In this scenario, the interest rate levels off at just over 3 per cent, which implies a total of 4–5 cuts between now and 2028.

The money market rate normally tracks the key rate with an added premium. It has decreased moderately since May, in line with the interest rate cut and expectations of further easing. The 3-month money market rate fell from 4.6 per cent in May to 4.3 per cent in August, and in early September to around 4.25 per cent. This implies that the market has priced in a rate cut later in September.

After touching record-low levels in 2021, the deposit and lending rates of banks and financial institutions rose up to early 2024. The average interest rate on loans secured on dwellings fell from 6.1 per cent at the end of 2024 Q1 to 5.9 per cent at the end of Q2 this year. During the same period, the average deposit rate fell from 3.4 to 3.3 per cent. Both deposit and lending rates are expected to fall further in Q3 as a result of the June rate cut.

The krone appreciated from April to June this year. In the latter half of June, it weakened again as a result of Norges Bank's surprising interest rate cut. Overall, the krone measured by the import-weighted krone exchange rate strengthened by 3–4 per cent from the beginning of the year and up to 8 September. This still implies a slight weakening of the krone compared with the previous

Figure 7. Norwegian interest rates



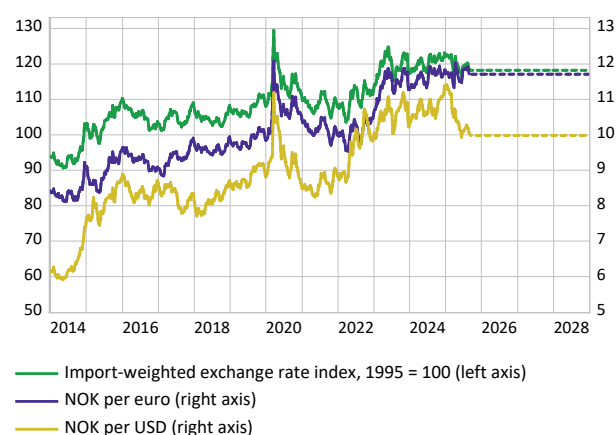
Source: Norges Bank and Statistics Norway

economic report. We keep the krone exchange rate unchanged in our near-term projections.

In June, July and August, inflation, particularly measured by the CPI-ATE, has been in line with what Norges Bank foresaw in its last Monetary Policy Report, before the summer. Preliminary national accounts figures indicate that the mainland economy grew more in Q2 than Norges Bank expected. At the same time, however, registered unemployment has been somewhat higher and the rise in house prices lower than assumed in June. All in all, it is not clear whether this will lead to Norges Bank revising the interest rate scenario for the remainder of the year upward or downward. We have revised up wage growth for 2025 in our projections. If Norges Bank does the same, it may lead to postponement of the interest rate cut from September to December.

In light of our projections for the Norwegian economy, we forecast that the key rate will be cut twice more next year. This implies a total of four cuts this year and next, which is one fewer than forecast in our previous report. This revision is due partly to mainland wealth creation appearing likely to grow more than assumed in our previous report, and to inflation not coming down to the inflation target in 2028. Given this scenario, the money market rate is expected to come down to 3.5 per cent in 2027 and 2028. Norges Bank has recently revised up its estimate for the neutral key policy rate to a range of 0.25–1.5 per cent. Our projection for the difference between the key rate and inflation at the end of the path is in the upper half of this range, which is natural when inflation is higher than the target.

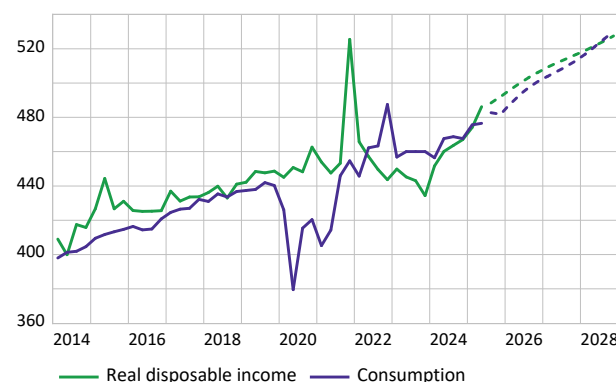
Figure 8. Exchange rates



Source: Norges Bank

Figure 9. Income and consumption in households

Seasonally adjusted, billion 2022 NOK, quarter



Source: Statistics Norway

Consumption is picking up this year

According to [the preliminary non-financial sector accounts](#) the real disposable income of households and non-profit organisations, both including and excluding share dividends, grew by around 4 per cent in 2024.¹ This estimate has not been revised since the previous publication of the non-financial sector accounts in June. Higher wage income and a lower rise in prices for some goods and services boosted household purchasing power last year, while higher net interest expenses had a counteracting effect. Real disposable income, also adjusted for share dividends, continued to grow appreciably through the first half of this year, at quarterly growth rates of between 1 and 2 per cent. The growth was primarily due to higher wage income and increased pensions and public transfers.

The increased purchasing power pushed up the overall consumption of households and non-profit institutions by about 1.5 per cent in 2024, according to [the preliminary national accounts](#). Goods consumption grew by about 1 per cent in 2024, driven mainly by higher electricity consumption, while consumption of services grew by around 2 per cent, largely due to greater demand for travel services. Following virtually flat developments through the second half of last year, overall consumption increased markedly in 2025 Q1, with

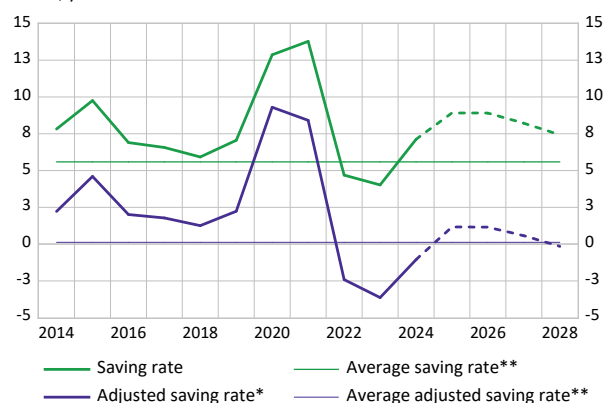
growth of round 1.5 per cent. Goods consumption increased by about 2.5 per cent, mainly pushed up by car purchases in advance of the increase in taxes on hybrid cars, which took effect on 1 April. Overall consumption remained almost unchanged in Q2, even though goods consumption grew by almost 2 per cent, again driven by increased car purchases. Norwegians' spending abroad fell substantially in the same period, however. Consumption of services displayed moderate growth through the first half of the year.

Disposable income was lower than consumption through 2024, both measured in current prices. Nonetheless, the saving ratio increased by about 3 percentage points last year, to around 7 per cent, as a consequence of substantial saving in collective pension funds. From 2023 to 2024, disposable income increased by NOK 139 billion, consumption by NOK 92 billion and saving by NOK 75 billion, of which NOK 28 billion in collective pension funds. Adjusted for saving in collective pension funds, which consists of mandatory saving with low liquidity, the saving ratio was about -1 per cent last year. The similarly adjusted saving ratio the previous year was around -3.5 per cent. Household net financial investment as a share of disposable income also increased through last year to a level in line with the saving ratio. Households therefore appear to have strengthened their financial positions last year through increased saving and lower housing investment. As income increased more than consumption through the first half of this year, the saving ratio increased to an average of around 8.5 per cent for the period.

¹ The non-financial sector accounts do not make adjustments for taxes on share dividends when calculating real disposable income excluding these payouts. This is because the figures for tax on wage income and share dividends paid to households are combined into a single tax item by the Norwegian Tax Administration, and are therefore difficult to distinguish from one another in the non-financial sector accounts.

Figure 10. Saving rates

Percent, year



* Excluding retirement saving

** Averaged over 1999-2024 excluding the pandemic years 2020-22

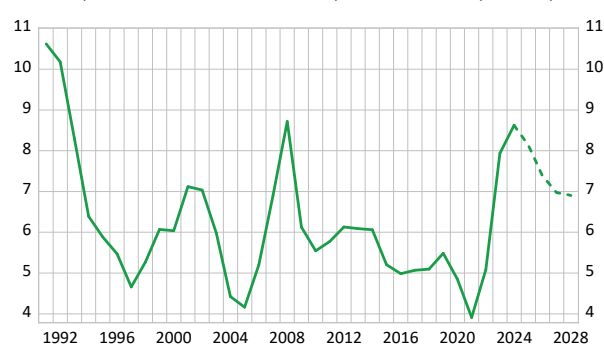
Source: Statistics Norway

We expect real disposable income, excluding share dividends, to grow by around 5 per cent in 2025. This growth projection is somewhat higher than in our previous economic report and is mainly attributable to an upwardly revised forecast for wage growth this year. For the years 2026–2028, growth in annualised average real disposable income will hover around 3 per cent. Wage income, pensions and public transfers are all expected to increase more than prices for goods and services, and will thus be the most important drivers of growth in real income in the near term. As household interest expenses are higher than their interest income, a fall in lending rates will also contribute positively to purchasing power, because net interest expenses will be reduced. The level of the household interest burden, measured as interest expenses after tax as a share of disposable income, is projected to fall gradually from around 8.5 per cent in 2024 to around 7 per cent in 2028. By way of comparison, the interest burden averaged about 5.5 per cent in the years 2010–2019.

We now forecast growth in overall consumption in 2025 of around 3 per cent, roughly 1.5 percentage points higher than last year. The projection for consumption growth this year has been revised up somewhat compared with our previous report, largely due to an upward revision of the consumption level in Q1 in the national accounts and a higher wage growth projection than we foresaw last time. The projection for consumption growth in 2025 implies a moderate upswing through the year, after virtually flat developments in the second half of last year. As a consequence of clear growth

Figure 11. Household interest burden

Interest expenses after tax as a share of disposable income in percent, year



Source: Statistics Norway

in both real disposable income and real wealth, consumption growth is also forecast to lie around 3 per cent in the years 2026–2028. This is approximately 1 percentage point higher than the annual average for the years 2010–2019.

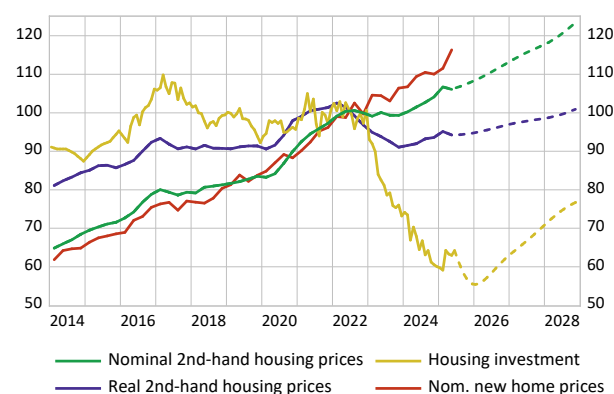
Our projections for income and consumption, and for saving in collective pension funds, imply a saving ratio of around 8.5 per cent as an annual average in the projection period. After adjustment for saving in collective pension funds, the saving ratio is forecast to be an annualised average of about 0.5 per cent in the same period. The unadjusted and adjusted saving ratios will then be, respectively, around 3 and 0.5 percentage points higher than their historical averages. Our projections also imply that household net financial investment as a share of disposable income will be an annualised average of about 8.5 per cent in the projection period, in contrast to its historical average of about 0.5 per cent. Thus households' financial position will be strengthened in the near term, as also indicated by the reduction in their interest burden.

Prospects for residential construction remain weak

[Statistics Norway's resale home price index](#) shows that house prices in Norway fell 0.6 per cent in 2025 Q2. This is a major change from Q1, when 2.5 per cent growth was measured. The downward adjustment in January of the equity requirement in the mortgage lending regulations therefore appears to have had an immediate effect that was followed by a slight fall in prices when the expected interest rate cut in March failed to materialise. The sub-indices indicate that house price developments vary geographically, and that Oslo and the other central Eastern Norway counties in particular

Figure 12. Housing market

Seasonally adjusted, index, 2022 = 100



Source: Statistics Norway

account for the negative movement in the price index.

Real Estate Norway publishes monthly figures on house price movements. These reveal that house prices showed a slight rise through the summer following a weak spring. The most recent figure for August shows that house prices increased by 0.6 per cent. The June interest rate cut therefore appears to have had an effect. It is reported that many previous rentals have been put up for sale recently and the early summer featured a strong supply side. Many sales and fewer new dwellings put up for sale reduced the supply somewhat in the course of the summer.

According to the national accounts, [Statistics Norway's building statistics](#), which show developments in registered housing start permits expressed in square metres, are the source of the housing investment figures. The number of registered square metres increased by almost 40 per cent in Q1 as a result of a very large number of registrations in March, causing a rise in housing investment for the first time since 2022. Similarly, the June figure has an effect in Q2 and yields further growth in housing investment of just over 4 per cent. The preliminary national accounts may overestimate actual housing investment if registered housing start permits have not been a reliable indicator of actual residential construction recently. The building industry, for example, has experienced a high rise in costs in recent years and as a result housing starts may be put on hold. However, rehabilitation of existing housing, which in the past has accounted for about 35 per cent of total housing investment, may point to increased investment. So far this year,

sales of resale homes have been very high and it is reasonable to assume that homes are often refurbished in connection with a change of owner. The most recent quarterly housing investment figures in the preliminary national accounts therefore need to be interpreted with caution, and there may be revisions when a broader source base becomes available.

Homebuilders publish actual housing start figures in terms of number of dwellings on behalf of their member companies. Figures up to and including July reveal 9 per cent more housing starts than in the same period in 2024. This is due to a higher than normal rate of housing starts in July, since the corresponding figure for the first half of 2025 was only 2 per cent. The level is nonetheless very low in a historical perspective. Sales of new dwellings, which may be a leading indicator of residential construction, are 8 per cent higher so far this year than in the same period last year. Sales of new dwellings were relatively high at the beginning of the year, but have fallen markedly since March. There are reports that developers have sold some dwellings at a loss in order to get building projects underway. This, coupled with the fact that an interest rate cut was expected in March, may be some of the explanation for the high sales figures early in the year.

The structural factors that have restrained residential construction in recent years still prevail. [Statistics Norway's construction cost index for residential buildings](#) shows that the 12-month rise in prices for building materials increased by 5.9 and 5.7 per cent in June and July, respectively. This, coupled with high borrowing costs and limited access to credit for developers because of low sales of new dwellings, is causing the rise in prices for new dwellings to remain high. The 4-quarter rise in [Statistics Norway's price index for new dwellings](#) was measured at 6.3 per cent in Q2. The corresponding figure for resale homes was 4.5 per cent. As long as the rise in prices for new dwellings remains higher than the rise in resale home prices, resale homes will appear relatively more attractive and depress sales of new dwellings.

In generating the housing investment projection, we take into account that figures in the preliminary national accounts are determined by building statistics. We assume that the many housing start permits registered in March and June will not

Box 2. What the Covid pandemic taught us about forecast accuracy

Our projections for the Norwegian economy are developed with the aid of the KVARTS macroeconomic model. In addition to relationships in the national accounts, the model contains empirical behavioural relationships for businesses, households and financial markets, based on economic theory, statistical methods and historical time series.

An important prerequisite for enabling the model to provide reliable projections is that the long-term relationships between key macroeconomic variables in behavioural relationships remain stable over time. This condition is put to the test when the Norwegian economy is impacted by extraordinary events. Under such circumstances, variables are often observed to deviate substantially from their normal patterns. Deviations in a behavioural relationship may take the form of either enduring changes in the long-term relationship between the variables in question (structural breaks), or as short-term disruptions without any effect on the long-term relationship (transitory outliers). It is important to distinguish between structural breaks and transitory outliers as they require different methodological approaches to forecasting after extreme observations of variables.

The Covid pandemic was an extraordinary event where the Norwegian economy rapidly reverted to its original pattern after temporary and extreme observations for some key macroeconomic variables. Household consumption in particular was characterised by major, but temporary fluctuations as a consequence of the lockdown of society, infection prevention behaviour and various infection control measures. When consumption fell sharply in spring 2020 while income remained at a high level, saving rose to a historically high level. Consumption picked up gradually again, and reverted to the pre-pandemic level towards the end of 2021, only to be checked again during the Omicron wave in the winter of 2022. When society re-opened in spring 2022, consumption rapidly increased to the pre-pandemic level, and saving fell to normal levels.

A recent study by Boug et al. (2025) examines how different methods for treating the unusual consumption pattern during the pandemic affect forecasting accuracy. The starting point of the study is a standard model of household consumption, income and wealth which captures both short-term and long-term relationships among the variables. The forecasting properties of the model are compared when the consumption observations from 2020 Q1 to 2022 Q1 are treated either through corrections to the consumption time series itself (AO for “additive outlier corrections”), corrections to the model’s residuals (IO for “innovational outlier corrections”) or without any form of correction (NC for “no corrections”). AO corrections replace the consumption observations during the pandemic with the model’s predicted values, i.e. counterfactual values, while IO corrections capture them as disruptions in the residuals, where the effects gradually dissipate through the

model’s dynamics. The comparison of forecasting properties is made also bearing in mind that consumption in 2022 Q2 was back to a normal level immediately after the pandemic. This enables an assessment to be made of how the various methods of treating the consumption pattern during the pandemic, together with the normalising of consumption, affect the accuracy of the projections. Forecasting accuracy both without and with normalisation of consumption is compared for the periods 2022 Q2–2024 Q2 and 2022 Q3–2022 Q4.

The study finds that the well-established long-term relationship between household consumption, income and wealth is unaffected by which of the three methods is chosen to approach the unusual consumption pattern. However this does not mean that estimates for short-term relationships between consumption, income and wealth are unaffected by the method chosen, which can lead to differing forecasting properties. At the outset, differences in forecasting properties can be attributed to how the treatment of the unusual consumption observations during the pandemic affect both the estimates and the consumption values upon which the forecasts are conditioned. In practice, estimates with AO corrections build on pre-pandemic consumption values combined with income and wealth values that also include the pandemic period. In contrast, the estimates with IO corrections are based on consumption, income and wealth values from the pre-pandemic period, while the estimates without any form of correction are based on consumption, income and wealth values both before and during the pandemic. The forecasts with AO corrections are conditioned on predicted consumption values during the pandemic, in that the corrections treat disruptions during the pandemic as transitory outliers and not as structural breaks. In contrast, the forecasts with IO corrections and without corrections are conditioned on actual consumption figures.

The study evaluates forecast accuracy by using two common measures, which are the root mean squared forecast error (RMSFE) and the mean absolute percentage error (MAPE), where forecasting error is defined as the difference between the actual consumption outcome and the model’s forecast value. The first measure assigns weight to large errors because the squaring means that large errors will count for more, while the other expresses error relative to actual outcomes and is thus independent of scaling.

The results show that the AO corrections produce more accurate forecasts than the two other methods chosen to treat the consumption observations during the pandemic because they yield lower values for both RMSFE and MAPE in both projection periods. This advantage is particularly pronounced for the period 2022 Q3–2024 Q2, as the values for RMSFE and MAPE with AO corrections are only between 50 and 60 per cent of the values with IO corrections and without corrections. The improved forecasting properties with AO corrections are due

Table. Choice of method and forecasting properties for consumption

(i) without a normal observation	AO	IO	NC	(ii) with a normal observation	AO	IO	NC
RMSFE	0.055	0.069	0.057	RMSFE	0.052	0.096	0.083
MAPE	0.378	0.464	0.384	MAPE	0.369	0.690	0.606

Forecasting periods: (i) 2022 Q2–2024 Q2 and (ii) 2022 Q3–2024 Q2. AO, IO and NC refer to corrections in the actual consumption time series, corrections in the model’s residuals and no correction of the consumption observations during the pandemic. The figures represent the root mean squared forecast error (RMSFE) and the mean absolute percentage error (MAPE).





to the normal observation of consumption immediately before the actual forecasting period, which provides a more accurate estimate of the size of the corrections to the consumption series during the pandemic and hence a more accurate projection path for consumption.

The Covid pandemic taught us that forecasting accuracy depends on how pronounced, transitory outliers in key macroeconomic variables are treated in the modelling of their behavioural relationships. Although extraordinary events do not necessarily break the long-term economic relationships, they may nonetheless cause such extreme observations in key variables that forecasts based on behavioural relations become less accurate. It is therefore important to distinguish between structural breaks and transitory outliers when

making forecasts, as they require different methodological approaches. The study of Boug et al. (2025) shows that corrections that replace the extreme consumption observations during the pandemic with counterfactual values yield far lower forecasting error than other approaches. The lesson learnt from the pandemic is thus that extraordinary events resulting in extreme observations for key variables, but where the economy is expected to revert to its usual pattern relatively swiftly, should be treated as transitory outliers in order to achieve more accurate forecasting.

References

Boug, P., H. Hungnes and T. Kurita (2025): Getting Back on Track: Forecasting After Extreme Observations, *International Journal of Forecasting*, <https://doi.org/10.1016/j.ijforecast.2025.08.005>.

lead to an equally rapid increase in housing investment. We are nonetheless revising our projection upward by just over 2 percentage points, to a fall of 9 per cent in 2025. The bottoming out point for housing investment is now being moved to around year-end. Because the preliminary accounts figures for the first half of 2025 are so strong, this means a continued fall in housing investment in 2026. However, growth will pick up from a very low level from 2027, and will be around 25 per cent in all until the end of 2028. Even given this growth, the investment level in 2028 will still be more than 20 per cent lower than in 2023.

Our house price projections are based mainly on factors that influence household demand for homes. We place emphasis on growth in real income, increase in debt, the interest rate burden, and real interest rates. We expect high income growth and this, coupled with continued low residential construction and further interest rate cuts, points to a steeper rise in prices going forward. We also take account of other factors such as building costs and expectations. The Norwegian Federation of Cooperative Housing Associations publishes the housing market barometer on the basis of questions put to Norwegian households about their expectations concerning the housing market in the near term. The August survey shows that over 70 per cent of those asked believe that house prices will rise next year, while 60 per cent expect lower interest rates. Because of the interest rate cut in June and expectations of further cuts going forward, we foresee a somewhat stronger than normal rise in prices this autumn. We therefore forecast a price rise of about 4.5 per cent this year and a little under 4 per cent next year. For 2027

and 2028 combined we foresee a rise of about 9 per cent. This implies a rise in real house prices of between 1 and 3 per cent for the next four years.

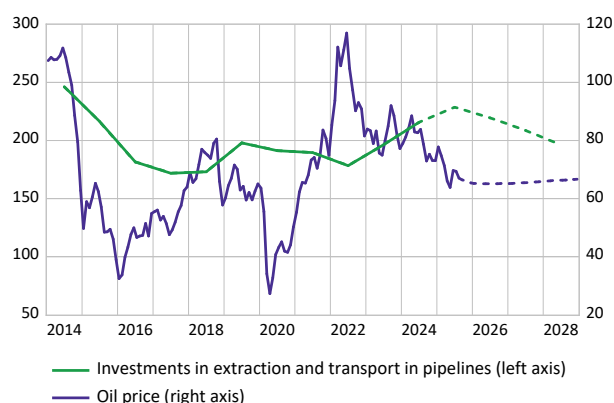
Falling petroleum investment from next year

Following an 8.7 per cent fall in petroleum investment in Q1 this year, preliminary national accounts figures indicate growth of 12.1 per cent in Q2. Second quarter growth was driven by higher activity in the investment areas oil extraction platforms, drilling rigs and modules and production wells, while lower oil and gas exploration restrained growth. In the first half of this year, petroleum investment was 8 per cent higher than in the same period last year. Whereas investment prices rose by 6.4 per cent in 2024, the rise in the first half of 2025 was about 3 per cent compared with the same period last year. The weakened US dollar helped to depress the rise in prices this year.

The petroleum companies' investment plans for the current year and 2026 are analysed in [Statistics Norway's quarterly investment intentions survey \(KIS\)](#). Following strong growth in 2023–2024 and a moderate increase so far this year, the most recent survey still points to petroleum investment peaking in 2025 before falling back. The projection for 2025 is now approximately NOK 275 billion in current prices, which indicates nominal growth of 6.9 per cent compared with the previous year. The investment projection for 2026 is being increased by NOK 23 billion compared with the previous survey, to NOK 230 billion. This represents a nominal reduction of 4.5 per cent from 2025 compared with the corresponding projection for 2025 made a year ago.

Figure 13. Petroleum investments and oil price

Seasonally adjusted. Left axis: billion 2022 NOK, year
Right axis: USD per barrel



Source: Statistics Norway

The survey's current projection for 2025 is contingent on the investment volume falling a little in the second half of the year compared with the Q2 level. [Statistics Norway's monthly index of production](#) shows that petroleum-related industries have rising seasonally-adjusted production from June to July. These industries generate a large share of domestic petroleum investment, and changes in this production are therefore a good indicator of investment trends. Thus the indicator points towards increased investment at the beginning of Q3. However, according to [Statistics Norway's business tendency survey](#) for Q2, industrial leaders in ship and petroleum platform construction, the most important of the petroleum-oriented manufacturing segments, expect a decline in production volumes from Q2 to Q3. Historical figures show that on average the August figures have been about 3.2 per cent higher than final investment figures for the past 20 years. It is true that final investment has ended up somewhat higher than the projection made in August in two of the last three years. We forecast that investment this year will be roughly as forecast in the last survey, giving growth of approximately 9 per cent. With inflation forecast to be 3 per cent, this results in a 6 per cent growth in volume, 3 percentage points higher than forecast in our last report. The higher projection for 2025 is largely attributed to a lower rise in investment prices than assumed in the previous report.

The increase in the 2026 projection in the investment intentions survey compared with the previous one does not alter the general picture of a fall after 2025, but reduces the downside risk. The

projection for exploration and concept studies for 2026 is markedly lower than in the previous survey. Given several quite large discoveries recently, we expect exploration activity to be appreciably higher than the current survey figures. The historical pattern in the survey for fields in operation also suggests that the final investments in this category will be higher than the figures reported at an early stage. According to plan, several of the large development projects currently under construction will come onstream in 2027. A number of them will be using new and untested extraction technology, and a lot of work remains to be done. We assume that the level of investment in these developments will be higher than what is reported now. We are therefore reducing the decline in investment in 2026 from 8 to 4 per cent.

The largest of the development projects that were decided upon at the end of 2022 will be completed in the course of 2027. They will attract less investment in 2027 than in 2026. Some smaller projects have been added, and decisions will be made about others going forward. There are plans to develop the large Wisting field in the Barents Sea, starting in late 2026. However, these projects will not fully compensate for investment from developments that will be phased out in 2027. The reduction in investment will be countered by higher activity in exploration, fields in production and shutdowns and abandonment. We forecast that investment in 2027 and 2028 will fall by 5 and 6 per cent, respectively.

In the first half of 2025, oil and gas extraction was 5.6 per cent lower than in the same period last year. Liquid production fell by 4.2 per cent, while gas production fell by 6.8 per cent compared with the first half of 2024. In its last projection in May, the Norwegian Offshore Directorate forecast a 2.3 per cent fall in production this year. Production in May–July was subsequently somewhat higher than expected. Adjusted for this, and extrapolating their projection for the second half of the year, overall production will fall by 1.6 per cent this year. Liquid production will pick up in the second half of the year, and production for the year as a whole is expected to increase by 0.8 per cent. Gas production is forecast to fall 3.9 per cent this year, and to edge down 0.1 per cent next year. It is then expected to fall further, by 1.8 and 5.4 per cent in 2027 and 2028, respectively.

Business investment almost flat going forward

Business investment grew 2.2 per cent in 2025 Q2 after dipping slightly at the beginning of the year. Investment in manufacturing and mining grew by 5.9 per cent in Q2 after a decline of 4.2 per cent in Q1. Growth in investment in other services was weakly negative in the first half of the year, while investment growth in other goods production was strongly positive, particularly in Q1.^{2, 3}

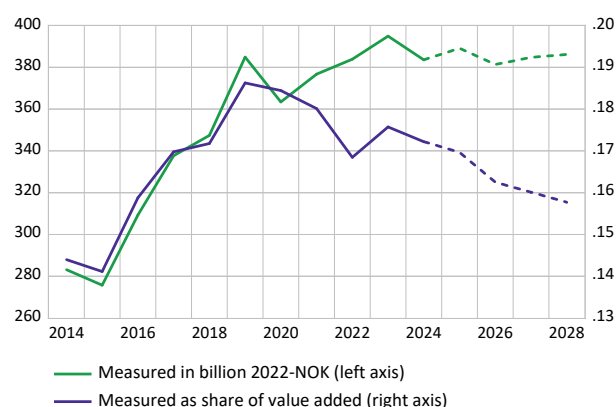
Businesses in manufacturing, mining and quarrying, power supply and oil and gas report regularly to [Statistics Norway's investment intentions survey](#) on planned and completed investment. The most recent projections show a sharp rise in investment in power supply in both 2025 and 2026, with nominal projections of 18 per cent for 2025 and as much as 27 per cent for 2026. Power supply and manufacturing in particular push up overall investment in 2026. The survey in our last report also singled out the industry group refined petroleum products, chemicals and pharmaceuticals manufacturing as drivers of investment growth in manufacturing and mining in 2025.

Norges Bank's June survey of businesses' outlook on the economy, [Regional Network](#), assembles data on their planned investments. In the most recent report, published in June 2025, the wholesale and retail trade reports that deferred investments will be made in the near future, but that the level will fall back somewhat next year. Service industries also reported that investment growth will decline further, primarily as a consequence of sluggish activity in commercial property. Businesses report on their intentions for growth the following year.

As stated in our previous report, there is still reason to expect that the broad-based build-up of Europe's defence capability may increase activity among producers of defence materiel. This may contribute to maintaining manufacturing investment at a high level further out in the projection period.

Figure 14. Investments Mainland Norway

Billion 2022 NOK, year



Our projections indicate that investment in manufacturing and mining will grow by around 1 per cent in 2025 and 4 per cent in 2026 before leveling off towards the end of the projection period. This is consistent with the companies' assumed investment as reported in the investment intentions survey. On balance, we expect weakly positive developments for business investment this year as a result of the upwardly revised projections for wholesale and retail trade and manufacturing. Further out in the projection period, we expect developments to be almost flat. Uncertainty associated with global trade and lower demand from trading partners point to slower domestic investment growth. Lower domestic interest rates and higher domestic demand point in isolation to a rise in investment growth. We predict that the overall effect will be virtually unchanged investment in the near term after limited growth in the current year.

Uncertain times for global trade

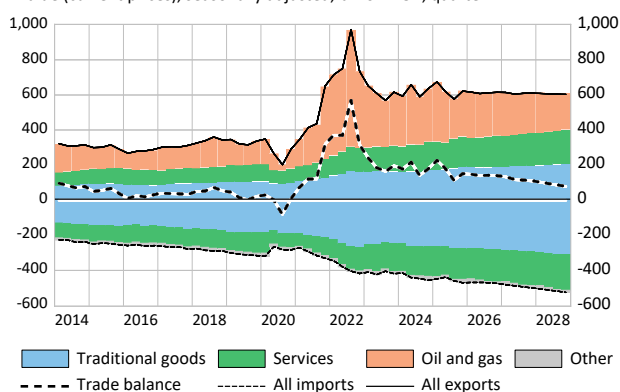
Both exports and imports of traditional goods and exports of oil and gas rose from Q1 to Q2 this year, while export and import prices fell. Service exports and imports also declined according to preliminary national accounts figures. Slumps in oil and gas export prices contributed most to a major decline in the value of overall exports. The value of aggregate imports also fell, but much less than aggregate exports. As a result, the trade surplus shrank by as much as 41 per cent, to NOK 142 billion, in Q2. This is nonetheless a large surplus in a historical perspective. The mainland economy (excluding exports of oil, gas and shipping) has seen a growing trade deficit since 1978. In Q2 this deficit increased by 16 per cent, to NOK 117 billion, as the value of

² Investment in other private service industries consists of investment in private services excluding wholesale and retail trade, housing investment, operation and sale of property, and services associated with the petroleum sector.

³ Other goods production consists of construction, power production and primary industries.

Figure 15. Foreign trade

Exports (positive axis), imports (negative axis) and balance of trade
Value (current prices), seasonally adjusted, billion NOK, quarter



Source: Statistics Norway

imports increased more than the value of mainland exports.

Some large product groups dominate mainland exports. Amongst those boosting mainland exports in Q2 were refined petroleum products, farmed fish and by far the biggest product group, engineering products, which also showed by far the biggest increase. There were smaller changes for other large export product groups such as basic metals, industrial chemicals, chemical and mineral products and food products and beverages, while electricity exports shrank most. The volume of oil and gas exports increased in Q2 after a somewhat larger fall in Q1. Service exports fell in both Q1 and Q2 this year. About half of the decline was due to reduced shipping earnings. The remainder of the decline was fairly broad-based.

A large share of Norwegian exports are commodities and semi-processed products. Imports include more products with a higher degree of processing. Cars and computer and electronic equipment are two major product groups. Imports of both increased in Q2, albeit after equally large reductions in Q1. Norwegians' consumption abroad, which accounts for over 10 per cent of all imports, fell substantially from Q1 to Q2 after a historic peak in Q1.

The Trump administration has imposed 15 per cent in extra tariffs on goods imported from Norway, which will raise prices for Norwegian products in the US. The extent to which this will dampen demand, and hence exports to the US, is uncertain. What is happening in trade with the EU is also

unclear at present. We have revised down growth in demand from our trading partners slightly compared with our previous projection. In isolation, this translates into reduced exports. With the exception of the current year, we forecast somewhat stronger growth in imports than in mainland exports in the projection period 2025–2028, and a production-based reduction in oil and gas exports. Assuming a higher rise in prices for total imports than for total exports, including oil and gas, the 2024 trade surplus of NOK 708 billion is expected to be halved in the course of the projection period. The balance of income and current transfers has displayed a strongly increasing surplus these past three years. We forecast a further increase, but at a pace that is slower and that reflects expected slower growth in the petroleum fund than in recent years. The sum of the trade surplus and the balance of income and transfers constitutes the current account balance. The current account balance as a percentage of GDP is expected to fall from over 15 per cent in 2025 to less than 10 per cent in 2028.

Growth in mainland industries continues

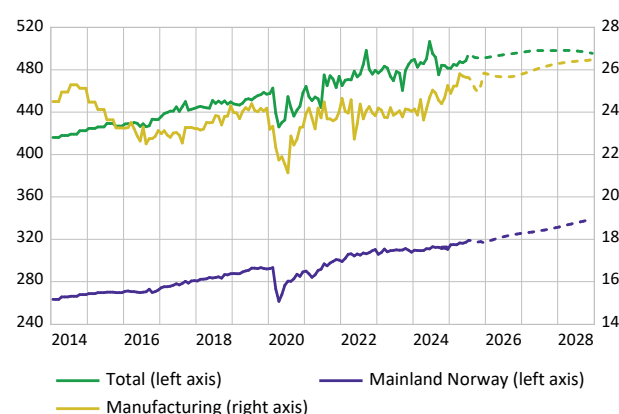
There was strong and broad-based growth in mainland output through the first half of 2025. The projections for Q1 have been revised up, and growth is now 1.1 per cent, while Q2 growth is forecast to be 0.4 per cent. The largest positive contributions from manufacturing, wholesale and retail trade and aquaculture came about in Q2, while the construction industry and electricity supply detracted from growth.

The primary industries recorded strong growth throughout the first half of the year. This was largely attributable to increased production in the fisheries industry in both Q1 and into Q2. There have previously been reports of uncertainty regarding developments in the fishing fleet because of reduced quotas in 2025, which may constrain growth.

Manufacturing has seen increasing growth since the end of 2024, and Q2 ended with an upswing of 2.4 per cent. For the present, uncertainty regarding trade barriers does not appear to have had a negative impact, and exports of many manufactured products exhibited strong growth. The upturn was broad-based, and according to [Norges Bank's Regional Network](#), expectations are positive. The

Figure 16. Gross domestic product

Seasonally adjusted, billion 2022 NOK, month



Source: Statistics Norway

biggest upswing is expected in the export market. However, in Statistics Norway's business tendency survey for Q3 there are reports of falling orders from the export market, while there is no change in the supply of orders for manufacturing as a whole. The general assessment is that the short-term outlook is neutral for manufacturing as a whole. Industrial leaders are otherwise expecting prices for intermediate goods and products sold on both the domestic and the export market to increase.

The negative developments in the construction industry continued in Q2 following a slight upturn in Q1. There are expectations in the industry that residential construction will pick up later in the autumn, but that construction of commercial property will remain at a low level. This is offset by a continuing increase in the volume of general government contracts, and according to Regional Network in June, more construction projects associated with defence are expected.

Wholesale and retail trade have enjoyed solid growth so far in 2025, in pace with the increase in households' consumption of goods. Higher household sector purchasing power prompts expectations of continued growth in purchases of both durable and non-durable consumer goods. This will contribute to maintaining growth in wholesale and retail trade at a high level. Other service industries exhibit a more mixed picture. Services that mainly supply the business sector, such as professional, scientific and technical services and administrative and support services, reported weak developments through the first half of the year. A number of companies reported to [Regional Network in June](#)

that customers are sitting on the fence, and attributed this to increased global uncertainty. Overall, services including housing services increased by 0.6 per cent in both Q1 and Q2, and about two thirds of the growth is attributed to the increase in wholesale and retail trade.

Our projections indicate around 2 per cent output growth in 2025. Growth will remain at about this level in both 2026 and 2027, before falling back somewhat in 2028. On balance, economic activity has undergone a slight upward revision for the projection period up to 2028.

Although there is still great uncertainty regarding international situations, we nonetheless envisage strong growth in manufacturing output in 2025 and somewhat slower growth in subsequent years. This view is based on expectations of increased goods exports, for example associated with defence materiel, and that petroleum investment will be high for a while to come. Much of the upturn is also being driven by domestic factors. The rise in household real income will stimulate consumption and boost growth in both wholesale and retail trade and other services for households. In our projections, the turning point for housing investment will come towards the end of 2025 and into next year, which will boost construction activity further out in the projection period.

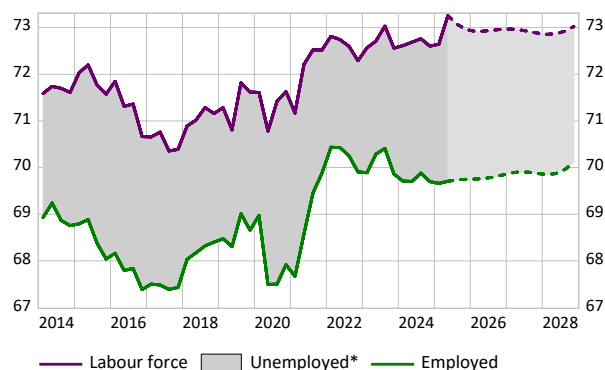
Unemployment peak in 2025

Labour Force Survey (LFS) figures show increased unemployment in the first half of 2025. LFS unemployment was 4.8 per cent in Q2, as much as 0.8 percentage point higher than in Q1. The increase is largely attributable to the increased labour supply, due to a number of people who were outside the labour force beginning to look for work and thereby becoming part of the labour force. There was also some increase in the transition from employment to unemployment. Unemployment was unusually high in June, which pushed up the Q2 level. Lower unemployment was measured for July, resulting in the monthly trend figures now showing unemployment of 4.6 per cent for both June and July.

The unemployment statistics of [the Norwegian Labour and Welfare Organisation \(NAV\)](#) (in Norwegian) show that the number registered as fully unemployed edged up in August. The number

Figure 17. Labour market status

Percent of population in working age, LFS



* Unemployment is here measured as share of population in working age

Source: Statistics Norway

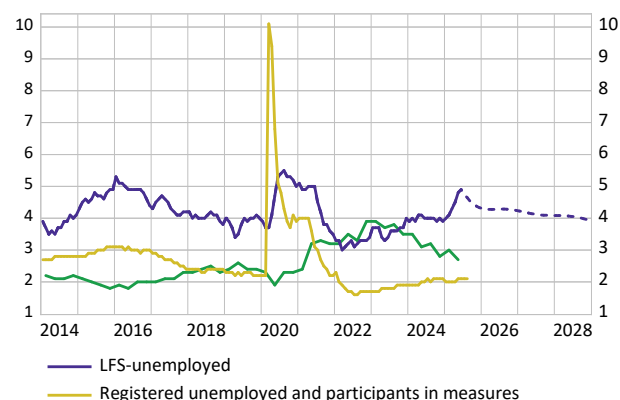
increased in most occupational groups, with the exceptions of construction and services and other work, where the numbers employed remained unchanged from July to August. Those registered as fully unemployed accounted for 2.1 per cent of the labour force in August, which was unchanged from the three preceding months but 0.1 percentage point higher than in April. These figures have been adjusted for the break in NAV's statistics for April and May 2025, which is partly attributable to the upgrading of specialised systems and the introduction of a new job-seeker register.

The growing disparity between registered unemployment and LFS unemployment is probably due to LFS unemployment increasing in some groups with little incentive to register with NAV as unemployed. One such group is young people with no right to unemployment benefit. A good deal of the increase in LFS unemployment in recent years is attributable to increased labour market participation, particularly among those aged 15–24. Labour force participation, i.e. the share of the population who participate actively in the labour market, either by working or by actively seeking work, among persons under 25 years old is now at a record high level. In 2025 Q2, participation in this age group was 68.5 per cent, which is 9 percentage points higher than the average for the period 2010–2019.

According to the LFS, those employed accounted for 69.7 per cent of the working age population (15–74 years) in 2025 Q2. Employment has hovered around this level throughout 2024 and to date in 2025, after dipping from a level of around 70 per cent in 2022 and 2023. Immigration from

Figure 18. Unemployed and number of vacancies

Percent of labour force and of the sum of occupied and vacant positions, seasonally adjusted and smoothed



Ukraine has contributed to reducing the percentage employed somewhat during this period. At the same time, Ukrainian refugees become employed faster than other refugee groups. Figures from the statistics Number of jobs and earnings show that over 40 per cent of Ukrainians aged 20–66 who immigrated to Norway after the full-scale invasion in 2022 were in work in July 2025.

According to the preliminary national accounts, employment increased by 0.2 per cent from Q1 to Q2, Employment has remained high and grown steadily since the end of the Covid pandemic. Hours worked in mainland Norway edged up 0.1 per cent from Q1 to Q2. Industries that saw an increase in employment and hours worked included manufacturing, accommodation and food service activities, administrative and support services and health and care services. Fewer were employed in construction in Q2, but this followed a weak rise in Q1. Employment in this industry has remained virtually unchanged from 2024 Q4 to 2025 Q2.

The number of vacancies fell by 9 per cent from 2025 Q1 to Q2 according to Statistics Norway's figures. The level is still higher than the average for the 2010s even though fewer vacancies have arisen in the last couple of years. According to NAV's statistics on vacancies (nav.no - in Norwegian), which are based on a narrower definition that excludes informally announced vacancies, the supply of vacancies in August declined slightly compared with the previous month, but to roughly the average for the past year. These statistics also show that the number of vacancies is at a higher level than prior to the Covid pandemic.

The labour force grew by 0.9 per cent in 2025 Q2, according to the LFS. The increase was largely attributable to the fact that a number who were previously outside the labour force began to apply for jobs. The labour force as a percentage of the working age population, also called the labour force participation rate, was 73.2 per cent in 2025 Q2. This is the highest level since 2009.

During the past year, the labour market has featured moderate employment growth and an increase in unemployment. The latter has largely taken the form of an increased supply of labour, and the labour force participation rate is historically high. According to our projections, employment growth in 2025 and the next three years will remain at roughly the same level as in 2024. We expect unemployment to peak in 2025, and to be gradually pushed down by increased demand to around 4 per cent towards the end of the projection period. The uncertainty surrounding the projection scenario is double-edged: weaker global demand and persistently low construction activity are keeping unemployment high, while lower interest rates and a rise in domestic demand are having a countering effect.

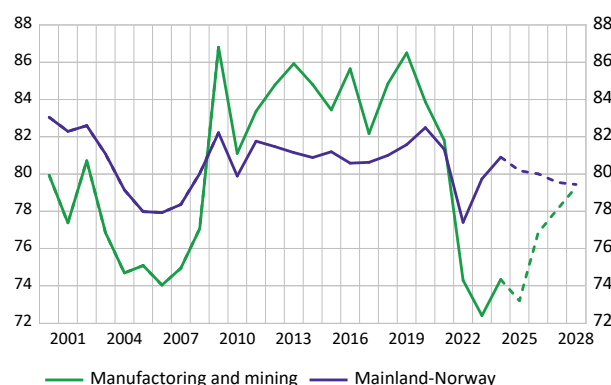
Upwardly revised projection for wage growth this year

Growth in average monthly basic earnings in 2025 Q2 was 5.3 per cent higher than in the same quarter last year. This is somewhat higher than the three previous quarters, for which four-quarter growth was 5.2 per cent. The final monthly figures for average disbursed remuneration in cash up to and including June show an average increase of 5.4 per cent in the first half of the year. The preliminary monthly figure for July of 5.5 per cent indicates that this trend continued through the summer. Both average monthly basic earnings and average disbursed remuneration in cash thus point to generally high wage growth in the Norwegian economy to date in 2025.

Figures across industries show that growth in average monthly basic earnings in Q2 this year was pushed up by high wage growth in health and social services and construction, with growth of 5.5 and 5.6 per cent, respectively. These two industries together account for about 947 000 jobs, equivalent to 30 per cent of all jobs in the economy. Conversely, wholesale and retail trade, with a little over

Figure 19. Wage share

Calculations based on factor income adjusted for income of self-employed, percent



393 000 jobs, pushed down average wage growth in Q2 with growth of 4.7 per cent – lower than the average for the economy. In central government, growth in average monthly basic earnings increased from 3.5 per cent in Q1 to 4.7 per cent in Q2 because of delayed disbursement of last year's wage settlement.⁴ Since this sector is relatively small in terms of job numbers, this nevertheless had a limited effect on average wage growth in the economy.⁵

Labour market flows affect average wage growth through changes in the composition of wage-earners. In 2025 Q2, wage-earners with jobs in the same company as the previous year had growth in average monthly basic earnings of 6.2 per cent. This was 0.2 percentage point higher than in the previous quarter, and pushed up average Q2 wage growth. Wage growth for wage-earners who changed jobs was 6.6 per cent in Q2, which also pushed up average wage growth. In health and social services and construction, however, the group of wage-earners who switched jobs pushed down average Q2 wage growth in these industries.

The labour share for manufacturing and mining – which shows how large a share of value creation in the industry accrues to the employees – is estimated to be a little over 74 per cent in 2024 according to preliminary national accounts figures. This is

⁴ Average monthly basic earnings is pay at the time it is disbursed. However, in the case of annual earnings, which is the wage concept for which we make projections, the disbursement will be recognised in the period in which it is earned. Thus the delayed settlement that has been disbursed now will be entered for 2024, and not 2025.

⁵ See Bakke, S. (2025): [Fortsatt vekst i antall jobber](#) [Job numbers continue to rise].

lower than the average of about 80 per cent in the period 2010–2024. We forecast that it will increase to about 79 per cent towards the end of the projection period. The downward revision since the last economic report is due to higher growth in operating earnings than forecast previously.⁶

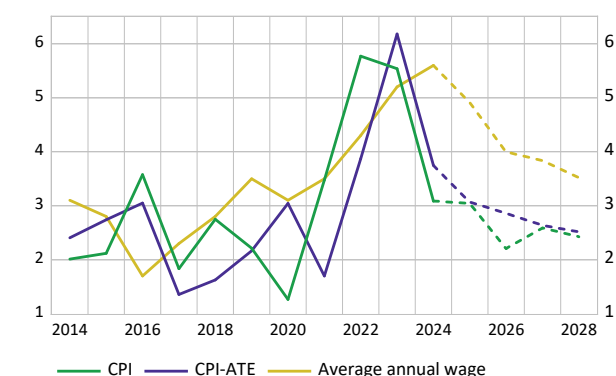
Our projection for annual wage growth for 2025 has been revised up by 0.5 percentage point compared to the 4.9 per cent in the previous report because of persistent high wage growth through the first half of the year.⁷ The higher annual wage growth projection this year, which has been revised up more than the projection for the rise in the CPI, means that the forecast for real wages in 2025 is higher than in the previous report. Our projection of 1.9 per cent for real wage growth in the current year is a little higher than the figure that implicitly formed the basis for the wage leader settlement, and that was based on the CPI projection in the March report from the Technical Reporting Committee on Income Settlements. We expect annual nominal wage growth of less than 4 per cent further out in the projection path. This implies average annual real wage growth of over 1 per cent going forward to 2028.

Upward revision of projections for inflation in 2025

Underlying inflation, measured as the 12-month rise in the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE), fell from 3.4 per cent in February and March to 2.8 per cent in May. The timing of Easter last year and this year particularly affected the 12-month rise in prices for food and non-alcoholic beverages in March and April. When this effect is stripped out, the period saw a general fall in the inflation rate for both goods and services. Inflation measured by the CPI-ATE has increased again since May to a stable 12-month rise of 3.1 per cent in the period June–August. The rise in inflation from May to June was largely driven by a higher rise in prices for rental accommodation, package tours and air travel, while movements in prices for food and non-alcoholic beverages contributed to dampen-

Figure 20. Consumer price indices and annual wage

Change from previous year in percent



Source: Statistics Norway

ing inflation in June. Movements in prices for food products subsequently contributed to maintaining the 12-month rise in the CPI-ATE. From July to August, price movements in some groups of goods and services, including food products, exerted downward pressure on inflation. However this was countered by a rise in prices in several other groups, which led to the overall rise in the CPI-ATE remaining unchanged from July to August.

Food prices continue to have a considerable effect on inflationary developments. According to the CPI, prices for food and non-alcoholic beverages rose by as much as 4.4 per cent from June to July. Such a sharp rise in prices in July has only been recorded twice previously for this product group. As in 2024, the price level for food products fell from July to August, partly as a consequence of seasonal sales campaigns. The fall in prices was somewhat steeper this year than last, causing the 12-month rise in prices for this product group to fall from 5.6 to 4.7 per cent. When food and beverage prices as a whole are considered, the slower rise in food prices was partly countered by a higher 12-month rise in prices for both non-alcoholic and alcoholic beverages. The contribution of food and beverages to overall inflation nonetheless fell from 5.4 per cent in July to 5.1 per cent in August. The rise in prices in this group is still high, and with their combined weight of 15 per cent in the CPI, food and beverages are one of the key drivers of overall inflation.

Electricity prices have been considerably higher in some parts of Norway this summer than in the same period last year, and this tendency was intensified in August. The 12-month rise in electricity prices, including grid charges, increased from

⁶ See Box 1 for an analysis of the significance of higher commodity prices for the Norwegian economy, including the effect on average annual wage growth.

⁷ The delayed pay-out of the wage settlement in some parts of central government, with the associated effect its recognition has for accrued annual wages, was taken into account in the projection in our previous report.

13 per cent in July to 29 per cent in August. The rise in electricity prices contributed strongly to the 12-month rise in the CPI increasing from 3.0 per cent in June to 3.3 per cent in July, and further to 3.5 per cent in August.

The maximum price for day-care places was reduced with effect from 1 August last year, which lowered the 12-month rise in both the CPI and the CPI-ATE by 0.3 percentage point from July to August 2024. This effect has now been fully phased in, and last year's price reduction is no longer affecting the inflation rate. However, day-care prices were cut further in this year's Revised National Budget. This last price reduction meant that the 12-month rise in day-care prices in August was little different from July. The effect of this last reduction will be reflected in CPI inflation for a year to come. The weight of day-care services in the CPI base will gradually decrease, as the share of household budgets assigned to day-care expenses is being gradually reduced.

In our June economic report, annual CPI and CPI-ATE inflation were projected to be 2.8 and 3.0 per cent, respectively, for 2025. These projections have been revised up in this report to 3.0 per cent for the CPI and 3.1 per cent for the CPI-ATE. The upward revision reflects developments so far this year, and higher projections for wage growth and global inflation than previously assumed. The krone is also weaker than assumed in June. Electricity prices, including grid charges, contributed to a marked increase in CPI inflation in August. Given the spot prices observed to date in September, CPI inflation is expected to remain high also in the current month. In October the Norway price will be introduced in the electricity market, while excise duty on electricity will be reduced. These measures are expected to lead to lower prices in Q4. On balance, the average household electricity price is forecast to rise by about 6 per cent from 2024 to 2025. Lower fuel prices are having a countering effect and dampening overall inflation. In our projections, energy prices as a whole are expected to rise a little less than underlying inflation in 2025.

The rise in price for initial sales of food products, i.e. food products that are sold for the first time since production or import, has been somewhat lower than general inflation this year as measured by the CPI. For the past three years there has been

a distinct pattern whereby consumer prices catch up in July with the underlying cost rise occurring at the wholesale level. In the second half of the year there is usually a moderate rise, and at times also a fall, in prices for food products and non-alcoholic beverages. In the second half of 2024 there was a decline, and prices remained lower than the July level for the remainder of the year. Although a fall in food prices in the second half of the year is not unusual, the potential for a dip in the 12-month rise in prices for food products and non-alcoholic beverages in the second half of 2025 will be limited, given last year's developments. We assume that the year-on-year rise in prices for food and beverages will remain high through the year, and only begin to fall back somewhat next year. A weak krone combined with high wage growth and high electricity prices in parts of Norway is pushing up costs in both the production and sale of food products. Global market prices for commodities such as cocoa and coffee beans have been very volatile and high this past year, partly as a result of extreme weather in the production countries. Persistently high commodity prices have contributed over time to a particularly strong rise in prices for chocolate and coffee. While the price of cocoa seems to be on the way down, global coffee prices were still high in early September.

The 12-month rise in the price index for the food product group alcoholic beverages and tobacco products slowed gradually from the beginning of the year and up to June, when it was down to 3.5 per cent. It has subsequently picked up some pace again, and was 4.1 per cent in August. Higher beer prices have been a particular driver of this last upswing. The state-owned wine and spirit monopoly, AS Vinmonopolet, revised its retail prices down by 0.1 per cent on average from 1 September 2025, in contrast to a price increase of 0.6 per cent on the same date the previous year. In light of this information, we assume that the 12-month rise in prices for alcoholic beverages and tobacco products may decline somewhat going forward.

According to the CPI-ATE by supplier sector, the 12-month rise in prices for imported goods excluding agricultural products has been low through the current year. The price rise for this product group as a whole has been under 1 per cent since March. This tendency is reflected in several import-related product groups such as clothing and footwear,

furniture and household equipment, and cars, where price inflation has been low, and in some cases negative, since the new year. Given somewhat higher global inflation and a weaker import-weighted krone exchange rate than in our previous report, we assume that the rise in prices for import goods will pick up somewhat. However it takes time for changes in prices for imports to be fully reflected in consumer prices, and the majority of these effects are only expected to materialise next year. This in itself might contribute to a moderate increase in the underlying inflation rate. Competition from foreign online retailers adds to inflationary pressures in some product segments. Car prices are remaining low, driven by strong market competition. In view of an expected further fall in battery prices, we expect inflation for this product group to remain low in the years ahead.

The low reservoir levels for the time of year in Eastern and South-Eastern Norway have pushed up prices on the Nord Pool power exchange in these parts of the country. Reservoir levels in Central and Northern Norway were record high at the beginning of September, however, resulting in very low spot prices. In order to ease costs for electricity customers, Statnett, the system operator of the Norwegian power system, decided to halve the charge for main grid consumption from 1 July. This entails a transfer of approximately NOK 1 billion to customers, and is a consequence of very high congestion revenue through the autumn last year and so far this year. A number of distribution companies have followed up with reductions in their transmission charges consistent with Statnett's cuts. In the RNV, the Storting decided to reduce the excise duty on electricity by 4.4 øre per kWh from 1 October 2025. In connection with the autumn national budget, the Government proposes reducing excise duty further to 4.18 øre per kWh for the whole of 2026. This proposal is incorporated in our calculations. If the Storting adopts the proposal, the excise reduction will also lower electricity costs for the business sector. We assume in our projections that reduced excise will result in a correspondingly lower electricity price for consumers. This presupposes that the market price is not affected. In the event of a power shortage, the excise cut could push up the market price, thereby lessening the price reduction for consumers. Effects of this nature are not incorporated, and our projection might therefore overestimate the price

reduction. Statnett reports that the new transmission line across the Sognefjord will begin operating in October 2025. This line is likely to help to even out prices between Central Norway and the Bergen area.

Forward prices in the power market indicate that the business sector in Southern Norway can expect to face higher electricity prices this coming winter than last. The Norway price for households is being introduced on 1 October 2025, through a decision related to the RNV. Households will then have the option of choosing between a fixed electricity price of 40 øre per kWh excluding VAT or continuing with the existing electricity support scheme. Customers can choose the Norway price at any time after 15 September 2025. There is no deadline for ordering, but once a customer has chosen the Norway price, they are bound by the scheme until 31 December 2026. There are no data at present on households' choices. This report is therefore based on the same shares of the population opting for the Norway price as indicated in the Storting bill Prop. 148 L (2024–2025) [Act relating to Norway price and electricity support for households]. The bill presupposes that 65 per cent of households in Southern Norway will choose the Norway price initially. The share is expected to increase to 75 per cent in 2026. It is assumed that other households in Southern Norway as well as in Central and Northern Norway will continue with the existing electricity support scheme. The prices in this report for households that continue in the existing electricity support scheme are derived from price movements in the forward market for the years ahead.

Adjustment of the Norway price is to take place once a year, the first time on 1 January 2027, and to apply for the whole calendar year. The adjustment is to be based on expected electricity price movements, but at the same time to ensure predictability and reflect historical movements in electricity prices. In this report we have assumed that both the threshold for electricity support and the adjustment of the Norway price track general inflation through the entire projection period. A similar price adjustment also forms the basis for the Government's proposal to reduce excise duty for 2026, and the change will take place for the first time on 1 January 2027.

We expect that these combined measures will lead to household electricity prices, including grid charges, falling by about 12 per cent next year. In isolation, this will reduce the rise in the CPI by around 0.6 percentage point as an annual average in 2026. As the Norway price, the threshold value for energy support and excise duty are adjusted in our calculations in line with general inflation, household electricity prices including grid charges are expected to increase at roughly the same rate as general inflation in 2027 and 2028.

The difference between CPI and CPI-ATE inflation is determined largely by developments in prices for energy products and changes in special tax and VAT rates. Excise duty on electricity is being reduced on average from 2025 to 2026 in line with the Government's proposal. We have adjusted the other special tax rates for inflation for the period 2026-2028, and assume that they have a neutral effect on CPI inflation.

When it comes to fuel prices, we assume that they largely shadow movements in the price of crude oil, measured in Norwegian kroner, with a significant premium of special taxes that dampens the effect of fluctuations in the crude oil price. This year and next, the decline in the average price for crude oil will result in lower fuel prices. We assume a stable crude oil price in NOK for the period 2026-2028, while refinement and transport costs may raise the price somewhat. On balance, we forecast that lower energy prices will reduce CPI inflation by about 0.7 percentage point in 2026. For 2027 and 2028 we assume that household energy prices will rise roughly in pace with general price inflation. If these assumptions hold true, the rise in the CPI and the CPI-ATE will be almost identical in these years.

In view of the shortage of rental housing, we assume that rents will increase somewhat more than general inflation in the years ahead. Price movements for other services, with the exception of day-care services, will largely parallel domestic cost developments. Wage growth has been revised up in 2025, which will increase the price level next year as well. At the same time excise duty on electricity is being reduced, which eases costs for the business sector. There is a lag before changes in production costs are fully reflected in consumer prices, in the same way as for import prices. Global

inflation has been revised up compared with our previous report and this, coupled with a weaker krone, will push up inflation. The overall effect of changes in the underlying assumptions is that the inflation rate, measured as the CPI-ATE, has been revised up by 0.1 percentage point for the period 2026-2028 compared with our previous projection.

CPI-ATE inflation is forecast to fall from 3.1 per cent in year to 2.9 per cent next year. It is then expected to slow further, to 2.5 per cent in 2028. One important reason for the fall is expected lower wage growth through the projection period. The full CPI is more relevant for forecasting developments in household purchasing power. On the basis of the assumptions underlying the energy price projections, CPI inflation is forecast to be 2.2 per cent in 2026. It will subsequently roughly parallel the movements of the CPI-ATE through the remainder of the projection period.

Table 4. Main economic indicators 2016–2028. Accounts and forecasts^{1,2}

	2016	2017	2018	2019	2020	2021	2022	2023	2024	Forecasts			
										2025	2026	2027	2028
Demand and output													
Consumption in households etc.	1.1	2.2	1.4	1.0	-6.2	5.1	7.8	-1.2	1.4	3.0	3.3	2.9	2.7
General government consumption	2.3	1.9	0.6	1.1	-0.5	3.6	1.8	3.4	2.4	2.1	2.3	2.0	1.3
Gross fixed investment	3.9	2.6	2.2	9.5	-4.1	0.7	0.3	-1.5	-1.4	0.7	-1.1	2.2	1.6
Extraction and transport via pipelines	-16.0	-5.4	0.7	14.3	-3.3	-0.9	-6.0	10.2	9.8	6.0	-4.0	-5.0	-6.0
Mainland Norway	9.0	6.8	1.5	6.3	-3.1	1.6	1.7	-2.6	-4.6	-0.8	-0.9	4.3	3.5
Industries	12.6	9.2	3.1	10.3	-5.3	3.2	2.7	2.9	-2.9	1.4	-2.0	0.9	0.4
Housing	6.6	7.3	-6.5	-1.1	-1.6	3.5	0.4	-18.3	-19.1	-8.9	-2.7	14.0	11.4
General government	6.4	2.6	8.1	7.5	-1.1	-2.5	1.5	4.1	3.9	0.7	1.6	4.1	3.5
Demand from Mainland Norway ³	3.1	3.1	1.2	2.3	-3.9	3.9	4.7	-0.3	0.3	1.9	2.1	2.9	2.5
Exports	0.4	1.6	-1.5	2.1	-2.3	6.1	5.2	0.4	5.2	-1.3	0.9	0.0	-1.8
Traditional goods	-11.2	0.9	2.0	5.1	-0.8	6.7	-1.8	5.3	2.1	4.5	2.5	2.2	1.0
Crude oil and natural gas	5.4	5.2	-4.6	-2.9	10.5	0.2	0.3	-1.8	6.7	-3.0	-0.3	-2.0	-4.6
Imports	1.9	1.8	1.4	5.3	-9.9	1.8	13.3	-1.5	4.3	1.4	2.6	2.7	2.5
Traditional goods	-1.4	3.5	2.8	6.2	-2.7	5.4	6.2	-6.2	3.8	2.3	2.0	2.8	2.6
Gross domestic product	1.2	2.5	0.8	1.1	-1.3	3.9	3.2	0.1	2.1	0.2	1.1	1.0	-0.3
Mainland Norway	0.9	2.2	1.9	2.3	-2.8	4.5	4.3	0.7	0.6	1.9	1.8	2.3	1.7
Manufacturing	-4.1	-0.1	1.6	2.1	-5.7	5.6	1.0	0.0	1.6	3.7	1.5	1.9	0.5
GDP in current prices (NOK billion)	3 116	3 323	3 577	3 597	3 462	4 324	5 733	5 102	5 197	5 395	5 494	5 659	5 794
Labour market													
Total hours worked, Mainland Norway	0.6	0.5	1.6	1.5	-2.1	2.4	3.5	0.6	0.3	0.5	1.4	1.2	0.3
Employed persons	0.3	1.1	1.6	1.6	-1.5	1.1	3.7	1.3	0.5	0.7	0.6	0.5	0.5
Labor force	0.2	-0.2	1.4	1.0	0.4	2.2	1.4	1.4	0.9	1.1	0.5	0.4	0.4
Participation rate (level)	70.4	69.7	70.2	70.5	70.4	72.1	72.6	72.8	72.7	73.0	72.9	72.9	72.9
Unemployment rate (level)	4.7	4.2	3.8	3.7	4.6	4.4	3.2	3.6	4.0	4.5	4.3	4.1	4.1
Prices and wages													
Wages per standard man-year	1.7	2.3	2.8	3.5	3.1	3.5	4.3	5.2	5.6	4.9	4.0	3.8	3.5
Consumer price index (CPI)	3.6	1.8	2.7	2.2	1.3	3.5	5.8	5.5	3.1	3.0	2.2	2.6	2.4
CPI-ATE ⁴	3.0	1.4	1.6	2.2	3.0	1.7	3.9	6.2	3.7	3.1	2.9	2.6	2.5
Export prices, traditional goods	4.5	4.7	5.1	0.1	-3.5	12.6	30.4	0.0	-1.5	4.8	1.7	1.5	2.5
Import prices, traditional goods	2.5	3.2	4.1	2.5	4.3	5.0	15.9	5.5	0.7	1.6	1.1	1.9	2.1
House prices	7.0	5.0	1.4	2.5	4.3	10.5	5.2	-0.5	2.7	4.5	3.6	4.7	4.0
Income, interest rates and exchange rate													
Household real disposable income	-1.6	2.0	0.9	2.0	1.1	4.1	-3.6	-2.4	4.0	5.3	3.3	2.3	2.0
Household saving ratio (level)	6.9	6.6	5.9	7.1	12.9	13.8	4.7	4.0	7.1	8.9	8.9	8.2	7.4
Money market rate (3 month NIBOR) (level)	1.1	0.9	1.1	1.6	0.7	0.5	2.1	4.2	4.7	4.4	3.8	3.8	3.8
Lending rate, credit loans (level) ⁵	2.6	2.6	2.7	3.0	2.6	2.1	2.9	5.0	6.0	5.9	5.4	5.1	5.0
Real after-tax lending rate, banks (level)	-1.6	0.1	-0.7	0.2	0.7	-1.8	-3.3	-1.5	1.5	1.8	1.4	1.2	1.1
Importweighted krone exchange rate (44 countries) ⁶	1.8	-0.8	0.1	2.9	6.7	-5.3	1.2	8.5	0.8	-0.7	-1.0	0.0	0.0
NOK per euro (level)	9.29	9.33	9.60	9.85	10.72	10.16	10.10	11.42	11.63	11.71	11.71	11.71	11.71
Current account													
Current balance (bill. NOK)	163	210	320	136	38	644	1 699	887	868	848	709	619	565
Current account (per cent of GDP)	5.2	6.3	9.0	3.8	1.1	14.9	29.6	17.4	16.7	15.7	12.9	10.9	9.7
International indicators													
Exports markets indicator	3.9	5.5	4.3	3.4	-7.5	10.1	8.4	1.6	1.6	1.7	1.6	1.8	1.9
Consumer price index, euro-area	0.2	1.5	1.8	1.2	0.3	2.6	8.4	5.4	2.4	2.2	2.0	2.1	2.2
Money market rate, euro (level)	-0.3	-0.3	-0.3	-0.4	-0.4	-0.5	0.3	3.4	3.6	2.1	1.8	2.1	2.3
Crude oil price US dollar (level) ⁷	45	55	72	64	43	71	99	82	80	69	65	65	66
Crude oil price NOK (level) ⁷	379	452	583	564	407	609	951	867	856	713	650	654	662

¹ Percentage change from previous year unless otherwise noted.² Some time series may have been revised after the publication of the Economic Survey.³ Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in mainland Norway.⁴ CPI adjusted for tax changes and excluding energy products.⁵ Yearly average. Credit lines, secured on dwellings.⁶ Increasing index implies depreciation.⁷ Average spot price Brent Blend.

Source: Statistics Norway. The cut-off date for information was 10 September 2025.