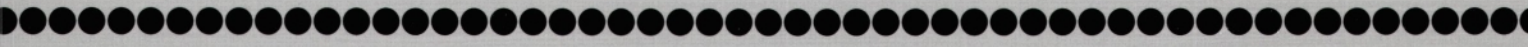


Economic Survey 2/93



Economic Trends

Central Bureau of Statistics of Norway

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Economic Survey

is published four times a year by the Research Department of the Central Bureau of Statistics of Norway. The issues contain comments and analysis of economic trends in Norway, based on the latest quarterly national accounts data.

Economic Survey no. 1 presents the first set of preliminary national account figures for the previous year.

The publication also contain articles on other topics, selected from the outcome of various projects in the Research Department.

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The current issue of Economic Survey contains a review of current economic trends in Norway and an outlook for 1993 and 1994. The main source of information is the quarterly national account system. The quarterly calculations are carried out on a less detailed level than the annual national accounts. The cut-off date for information used in the publication was 8 June 1993.

Economic Trends has been prepared by the Research Department in the Central Bureau of Statistics. Please acknowledge the source if quoting from this publication. Inquiries should be directed to Knut Moum or Øystein Olsen.

Main economic developments

- * *Weak first quarter, but upturn likely through 1993*
- * *Consumer price inflation around 2.5 per cent this year*
- * *No international growth impetus until 1994*

Despite the international recession there were clear cut signs of growth in the Norwegian economy in 1992. Preliminary national accounts for the first quarter, showing a decline (seasonally adjusted) both in total output and demand in mainland Norway, suggest that this tendency may have levelled off. However, the decline is to some extent due to specific factors, and underlying conditions continue to point towards a moderate upturn in the mainland economy in the current year. The forecasts for the Norwegian economy presented in this report are consequently well in line with the projections for 1993 and 1994 presented in the last Economic Survey. The main difference is that the estimate of the growth in consumer prices for the current year has been substantially revised down. Furthermore, the stage is set for a stronger fall in interest rates than previously assumed.

In 1993 Norway will probably stand out in the OECD area in terms of the size of the growth in gross domestic product (GDP), even when petroleum production is disregarded. However, the economic growth will not be sufficiently strong to achieve a reduction in unemployment, which appears to have settled at a level of about 6 per cent of the workforce. Although this is high by Norwegian standards, it should be emphasised that Norway still has one of the lowest unemployment rates in Europe. A major reason for this is the central position of the oil sector in the Norwegian economy. Output in the petroleum sector is little affected by cyclical conditions, and the strong growth in petroleum revenues has permitted an expansionary fiscal policy in the present phase of the economic cycle. Moreover, the profitable investments in the oil sector have generated strong impetus to growth in the mainland economy, and thereby contributed to maintaining employment levels.

The possibilities for continuing on this path are now very limited. In 1994 a decline can be expected in accrued oil investments, and the state's possibilities for fiscal manoeuvre are narrowing. This may be further underlined by the Maastricht requirements which have set an inter-European standard

for sustainable fiscal policy. International growth impulses will therefore be highly welcome. The international upturn has, however, been constantly delayed. As it looks now, stronger growth in demand for traditional Norwegian exports is unlikely until 1994.

MACROECONOMIC INDICATORS

Growth from previous period. Per cent

	Seasonally adjusted ¹⁾			
	1992	92.3	92.4	93.1
Demand and output volume indicators				
Private consumption	1.8	-0.9	1.3	-1.2
Public consumption	4.6	1.3	0.0	1.0
Gross fixed investment				
- Mainland Norway	0.8	-1.8	9.3	-10.1
Final domestic use of goods and services	1.5	-2.1	-0.0	-0.7
Final domestic demand				
from mainland Norway	2.3	-0.5	2.1	-2.1
Exports	6.1	0.1	2.6	-4.4
- traditional goods	4.1	1.1	-0.6	-2.8
Imports	2.2	-5.0	-1.2	-2.5
- traditional goods	4.2	6.6	-4.7	-4.1
Gross Domestic Product	3.3	-0.0	1.6	-1.7
- Mainland Norway	2.0	-1.4	2.7	-1.2
Labour-market				
Man-hours worked	-0.4	-0.1	-0.1	0.7
Employed persons	-0.3	0.5	-0.1	-0.5
Unemployment rate, level ²⁾	5.9	5.9	5.9	5.9
Prices				
Consumer Price Index ³⁾	2.3	2.3	2.2	2.5
Export prices, traditional goods	-6.7	-0.6	-0.6	1.2
Import prices, traditional goods	-1.9	-2.2	0.6	1.4
Balance of payments				
Current balance, bill.NOK ⁴⁾	17.8	9.0	4.8	6.5

1) See "Technical comment".

2) Seasonally adjusted levels in per cent..

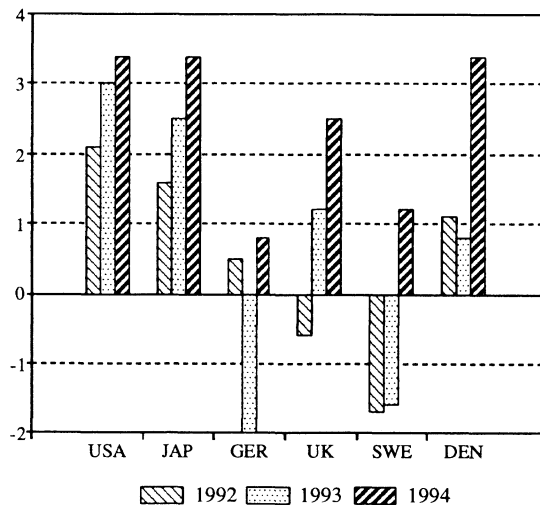
3) Growth from same period previous year.

4) Unadjusted levels in NOK bn.

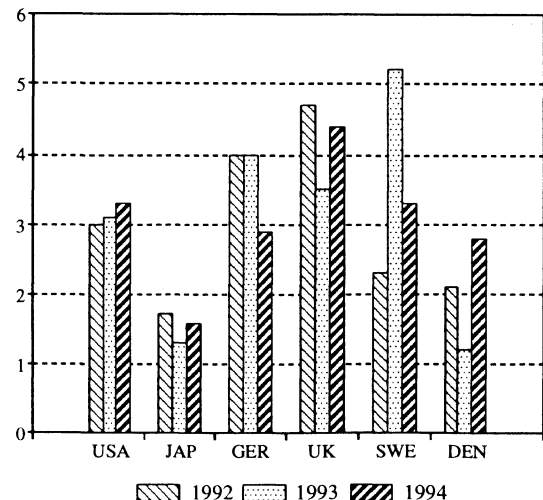
International economy: Intensified cyclical downturn in Europe - brighter outlook for 1994?

The OECD area is in the throes of one of the deepest recessions in the postwar period. The upturn in the USA remains moderate, in Japan growth is unusually low and Western Europe is marked by economic stagnation or direct decline in output. Unemployment has risen steeply in many countries, and the number of jobless will probably reach about 35 millions in the OECD area as a whole in 1993. This is now regarded as the greatest problem facing the OECD countries, and is probably an important reason why the authorities in several countries have recently adopted a more active economic policy stance.

GNP/GDP GROWTH FOR SELECTED COUNTRIES
Per cent



GROWTH IN CONSUMER PRICES
Per cent



In the USA the cyclical upturn appears to be continuing, after a temporary slowdown of economic growth in the early months of 1993. Preliminary first quarter national accounts figures show surprisingly weak growth in gross national product (GNP). However, this is to some extent due to special circumstances, including severe weather conditions in March. Thus, the forecasts point towards a GNP growth of about 3 per cent both in 1993 and 1994. Among other factors, housing construction is expected to pick up, stimulated by very low mortgage interest rates. Private consumption will also grow according to the forecasts, but the stimuli from this part of demand are expected to remain moderate compared with earlier cyclical upturns. Persistent high unemployment and general uncertainty about income prospects contribute to restraining household consumption.

The upturn in the US economy will probably lead to a further strengthening of the dollar against European currencies. The interest rate level may also pick up somewhat in the period ahead, if the signs of an increasing rate of inflation intensify.

In February President Clinton presented a package of economic measures. The package contains both short-term stimulatory measures and longer-term measures designed to cut the large federal budget deficit. These include lower government spending and tax increases. However, the programme has met vigorous opposition in the Congress. It appears that Clinton will have particular difficulty getting his proposal for increased energy taxes passed by the Congress.

Japan is in the midst of an unusually deep recession. The government has put forward a package of measures worth all of USD 117 billion, unprecedented in Japanese history, to stimulate economic growth. The measures could help to reduce Japan's record trade surplus, which is a problem particularly in relation to the USA. At the end of May the yen exchange rate reached a new peak against the dollar. Most forecasters expect a reversal of trading conditions in the second half of 1993, with GNP growth picking up from about 1.5 per cent this year to some 3 per cent next year.

In Europe the cyclical downturn has become even more marked in recent months. However, the interest rate level has dropped in many countries, in some cases substantially. This has eased the pressure on the currency and money markets, and is expected to contribute to a more favourable economic trend in 1994. In Germany the estimates of GNP growth in 1993 have been revised down several times, and a decline in output of at least 2 per cent appears likely in the western states. Since the New Year the Bundesbank has lowered its signal rates on several occasions. This has contributed to a general interest rate fall both in Germany and in

other countries whose currencies are pegged to the mark. In terms of the ECU rate (three-month), interest rates have dropped just over 2 per cent in the EC area since the turn of the year. In the light of the weak outlook for the German economy, a further decline may be expected in short rates in the period ahead. However, developments so far this year suggest that the Bundesbank will adopt a cautious approach to new interest rate reductions until money supply growth and price inflation in Germany recede. The sizeable public sector borrowing requirement could also impede a further reduction in long-term interest rates.

Since the currency unrest of last autumn interest rates have fallen substantially in the *United Kingdom*, whose central bank rates have been lowered on several occasions after the country left the ERM. By the end of May money market rates had dropped towards the 6 per cent mark. The counterpart to this has been a steep fall in the sterling exchange rate. The interest rate fall has inter alia stimulated private investments, and preliminary national accounts figures indicate that the cyclical downturn bottomed out in the second half of last year. Reckoned from the preceding quarter GNP has shown weak expansion in the interim. There are also signs of a somewhat more favourable trend in the labour market, although the unemployment rate remains in excess of 10 per cent. The large deficits, both in the external economy and in government budgets, constitute major problems in the UK economy. In the light of this, and underlying price impulses from the depreciation of the pound, the prospect of further fall in long term interest rates is doubtful.

Sweden will record negative GDP growth in 1993 for the third year running. It is domestic demand that is contracting, whereas exports are in the process of recovering, influenced inter alia by the depreciation of the Swedish krona and several stimulatory measures targeted at business and industry. Joblessness continues to rise, and the unemployment rate is set to reach an average of 7-8 per cent for 1993. In April the government presented a plan to cut back the large deficit in government budget, which in 1993 is estimated to reach more than 13 per cent of GDP. The measures are estimated to yield an overall reduction of NOK 81 billion in the budget deficit over the period 1994-98. Several independent observers regard the government's forecasts for the economy as overly optimistic, and believe that the improvement in the budget balance will not be as strong as projected by the authorities.

The economic outlook in *Denmark* has weakened, partly due to the cyclical downturn in Germany. For 1993 a GDP expansion of between 0 and 1 per cent is now expected. Impulses from a package of government measures, the recent "yes" to the

Maastricht Treaty and a general economic upswing in Europe are expected to push up growth somewhat next year.

Norway: Decline in first quarter, but prospect of moderate upturn in 1993

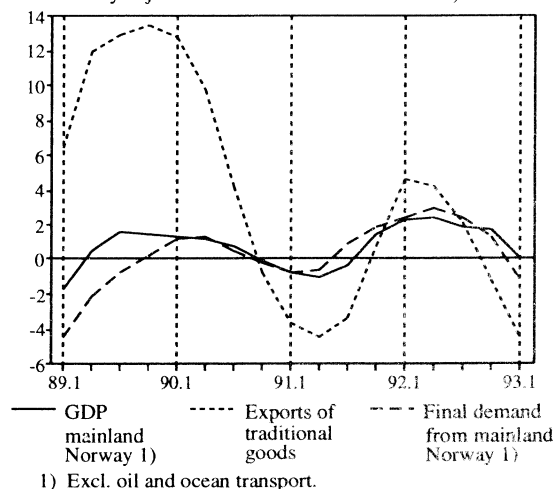
Mainland demand: towards moderate growth in 1993

According to preliminary quarterly national accounts (QNA) figures, mainland demand fell by 2.1 per cent in the first quarter of this year (seasonally adjusted), after an equally strong upturn in the fourth quarter of last year. Demand from mainland Norway is thus back at the average level for 1992. A fall in both total consumption and gross fixed capital formation contributed to declining demand in the first quarter of this year.

Gross fixed capital formation outside the oil sector and maritime trade fell by 10 per cent on a seasonally adjusted basis (corresponding to NOK 2.5 billion) from the fourth quarter of last year to the first quarter of this year. Investments in private services, which account for about 30 per cent of fixed capital formation in mainland Norway, fell by more than 14 per cent, and manufacturing investments by 15 per cent. However, investments in other manufacturing trades rose somewhat. However, the first preliminary investment estimates from the quarterly national accounts are invariably conjectural.

Despite the weak development in the first three months of the year, the clear-cut downward trend in gross investments in mainland Norway over the period 1988-1991 appears to have levelled off, and we may see a moderate upturn in the current year. The falling interest rate level will contribute to a

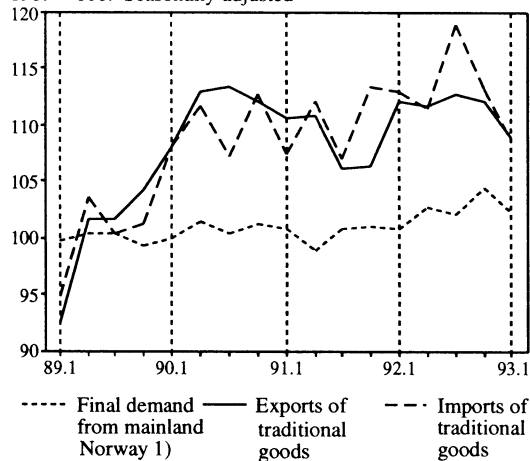
CYCLICAL DEVELOPMENT
(Per cent growth from previous quarter.
Seasonally adjusted and smoothed. Annual rates.)



Source: CBS.

EXPORTS, IMPORTS AND FINAL DEMAND FROM MAINLAND NORWAY

1989 = 100. Seasonally adjusted

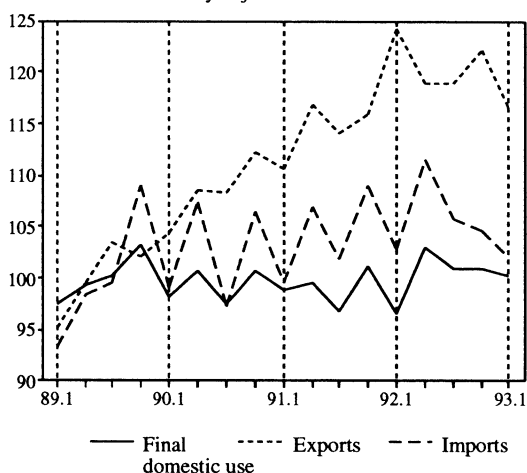


1) Excl. oil and ocean transport, and changes in stocks.

Source: CBS.

TOTAL EXPORTS, IMPORTS AND FINAL DOMESTIC USE

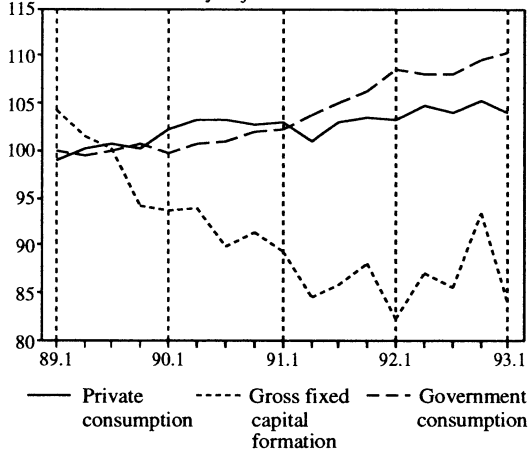
1989 = 100. Seasonally adjusted



Source: CBS.

CONSUMPTION AND FIXED CAPITAL FORMATION IN MAINLAND NORWAY 1)

1989 = 100. Seasonally adjusted



1) Excl. oil and ocean transport, and changes in stock.

Source: CBS.

decline of between one and two percentage points in the real cost of borrowing from 1992 to 1993, and to improved earnings in the enterprise sector, which is in a net debt position. According to the CBS' investment survey for the first quarter of this year, manufacturing investment is set to expand through 1993.

Housing investments, seasonally adjusted, fell by 2.9 per cent in the first quarter, after a decline of 16 per cent from 1991 to 1992.

After falling steeply for several years, prices in the secondary housing market are now appreciably lower than the cost of new housing constructions. However, price statistics from the Norwegian Association of Estate Agents, together with other information, indicate a possible turnaround, and the decline in the interest rate level in the first half of this year will probably contribute to some growth in housing prices from the second half of the year. This will stimulate new housing starts, and the decline in housing investments could in that case come to a halt around the turn of the year 1993/94.

According to the Revised National Budget for 1993 the stage is set for a 4.9 per cent reduction in gross investments in general government this year. The estimated decline is by large ascribable to the conversion of Statsbygg (Directorate of Public Construction and Property) from a government body to a state corporation. Statsbygg's investments will henceforth be regarded as a part of the investments in the sector "other private services" in the national accounts. Growth in total investments in mainland Norway in 1993 is now estimated at about 3 per cent, approximately as stated in Economic Survey for the year 1992.

In the Revised National Budget for 1993 the government projects a growth of 2.3 per cent in general government consumption for the current year. This entails a growth in public sector purchases of goods and services of about 2 per cent from 1992 to 1993 (adjusted for the reorganisation of Statsbygg), compared with 4.3 per cent in the previous year.

As defined in the national accounts, the budget deficit for the general government is estimated to reach about 3.6 per cent of GDP in 1993, an increase of 0.6 percentage points from 1992 and of 3.4 percentage points from 1991. The Ministry of Finance's oil-adjusted budget indicator suggests a demand impetus from the growth in the deficit corresponding to 1 per cent of mainland Norway GDP in the current year. The corresponding figure in 1992 was close to 2 per cent.

Private consumption fell by 1.2 per cent, seasonally adjusted, in the first quarter of this year, after expanding by the same margin in the fourth quarter of last year. Whereas consumption of services showed approximately no change, consumption of

goods fell by 2.4 per cent. This fall can partly be explained by purchases being pushed forwards to December in anticipation of an expected strong price rise from 1 January this year. However, new car sales were also weak in April and May, and so far consumption demand does not appear to have responded to the interest rate decline.

Private consumption rose at a clearly lower rate than households' real disposable income in 1992; growth rates are now put at 1.8 and 4.3 per cent, respectively. The saving ratio thus rose by almost 2.5 percentage points to 5 per cent. With some fall in household net real investments from 1991 to 1992 this resulted in a net asset increase of more than NOK 20 billion. Based on figures from Norges Bank, households' net assets at the end of 1992 can be estimated at about 28 per cent of disposable income. Although the net asset ratio has risen markedly from the low point of about 12 per cent in 1988, there is still some way to go to the 35 to 40 per cent level of the early 1980s.

The strong growth in household incomes last year can to a large extent be ascribed to tax reliefs and a marked increase in transfers. The public sector contribution to household income growth will be appreciably lower in the current year. Assuming continued moderate growth in real wages, the stage is now set for an increase of about 2 per cent in household real disposable income from 1992 to 1993. As a result of the build-up of net assets in recent years and the decline in the interest rate level, the saving ratio will probably show a relatively moderate rise this year, with consumption growth possibly around 1.5 per cent.

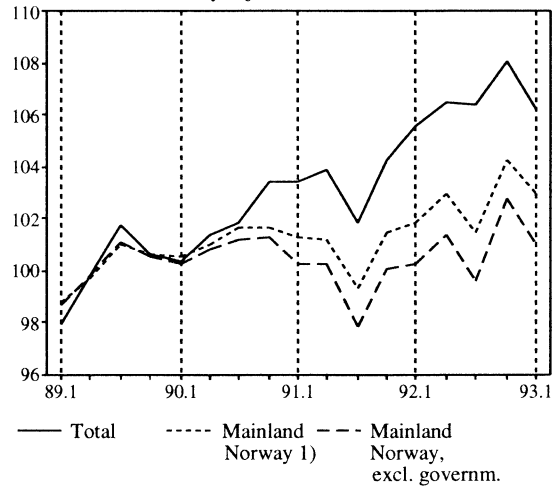
Continued strong growth in oil investment

According to preliminary figures, accrued investment costs in the oil sector including pipeline transport showed almost 9 per cent volume growth in 1992, after expanding by more than 30 per cent the previous year. This growth has brought accrued oil investments up to a level corresponding to half of total investments in mainland Norway, and 6.3 per cent of GDP. According to the CBS' investment survey for the first quarter, accrued investments in the oil sector will show a further strong increase in 1993, to a level of about 7.5 per cent of GDP.

Weak market trend puts a brake on traditional exports

Exports of traditional goods fell by 2.8 per cent, seasonally adjusted, in the first quarter of this year, after a decline also in the fourth quarter of last year. For 1992 as a whole the growth is now estimated at 4.1 per cent. The export trend over the past two years has been affected by fluctuations in deliveries

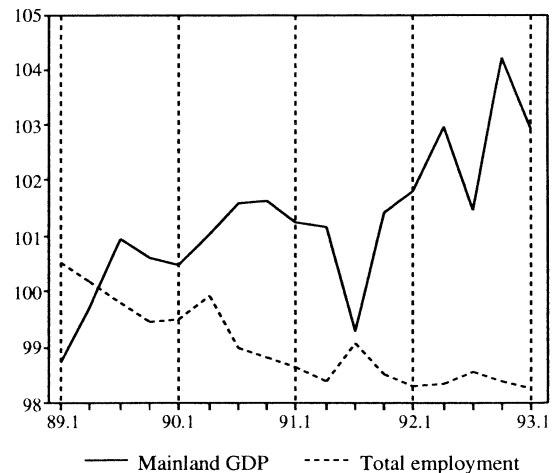
GROSS DOMESTIC PRODUCT
1989 = 100. Seasonally adjusted



1) Excl. oil and ocean transport.

Source: CBS.

PRODUCTION AND EMPLOYMENT
1989=100. Seasonally adjusted volume indices



Source: CBS.

of oil products from the Mongstad refinery and in export of surplus power. Disregarding these energy goods, exports of traditional goods rose by 1.3 per cent, seasonally adjusted, in the first quarter of this year, whereas growth last year is reduced to 2.5 per cent.

According to preliminary estimates, Norway's export markets expanded by just over 2 per cent in 1992, i.e. about the same as in the previous year. For 1993 growth in the Norwegian export markets appears to fall towards the 1.5 per cent mark. Hence, with continued low prices on metals and certain other commodities, the growth in traditional exports will be weak in 1993, despite a strengthening of Norwegian manufacturing's competitiveness

of more than 10 per cent over the past five years. Traditional exports apart from energy goods could increase by about 1 per cent this year.

Exports of crude oil and gas fell by 3.4 per cent, seasonally adjusted, in the first quarter of this year, after showing marked growth in 1991 and 1992. The decline in the export volume in the first quarter of this year can for the most part be traced back to difficult weather conditions in January/February, and the halt to loading of oil at the Statfjord and Gullfaks fields. With a further escalation of production at the Snorre field in the current year, and the start-up of among others Brage and Draugen, production and export of petroleum will expand by up to 5 per cent from 1992 to 1993.

Service exports fell by 3.5 per cent from the fourth quarter of last year to the first quarter of this year, partly as a result of a decline in exports of shipping services. Both demand for shipping services and freight rates are sensitive to the international business cycle.

Slow underlying import growth

Imports of traditional goods fell by 4.1 per cent, seasonally adjusted, in the first quarter of this year, following an equally strong fall in the fourth quarter of last year. As a result of periodic deliveries of submarines and purchases of new civilian aircrafts, imports of traditional goods have fluctuated widely in recent years. If these purchases are disregarded, the underlying growth in traditional imports over the past twelve quarters has been only slightly stronger than the underlying growth in demand in mainland Norway. After the import decline in the first quarter, imports of traditional goods may show weaker growth than demand from mainland Norway in the current year.

Weak trend in output

Preliminary quarterly national accounts figures suggest a decline of 0.8 per cent in mainland Norway's GDP in the first quarter of this year, after a seasonally adjusted growth of 2.4 per cent in the fourth quarter of last year and 2 per cent for 1992 as a whole. A decline in the petroleum activity and maritime trade contributed to 1.2 per cent decline (seasonally adjusted) in GDP in the first quarter of this year. However, the gross product in manufacturing rose by 1.6 per cent, whereas there was a decline in the production of private services. The growth in manufacturing output was fairly evenly distributed on sheltered, export-oriented and import-competing industries.

Rising demand from mainland Norway during the rest of the year and a continued high level of accrued oil investment will contribute to a year-to-

year growth of about 2 per cent in mainland Norway's GDP in 1993, i.e. much the same as last year's figure.

Decline in employment levels off

According to the CBS' labour market survey (AKU), the number of employed persons and the number of man-hours worked in the first quarter of this year were at virtually the same level as previous year. The development over the past year suggests that the decline in employment has come to a halt. Unemployment, which rose markedly from 1991 to 1992, has also levelled off. The unemployment rate (seasonally adjusted) has remained just below 6 per cent over the past 5 - 6 quarters. Given normal productivity growth in the mainland economy in the current year, the growth in employment will probably be very moderate, and average unemployment may rise somewhat from 1992 to 1993.

Lower growth in consumer prices than previously estimated

Wages per normal man-year rose by 3.7 per cent last year, after a growth of 5.1 per cent in 1991. The 91-92 growth in wages per man-hour was a mere 2.8 per cent, mainly as a result of a decline in sickness-related absence from work and of the fact that there were three more ordinary working days in 1992 than in 1991.

The Expert Committee for Income Settlements estimates the wage overhang into 1993 at 1 per cent. The spring wage round for the private and public sector resulted in moderate central increments. With wage drift approximately in line with last year's, the settlement suggests that wage growth for the economy as a whole will be about 3 per cent. As a result of the 2.4 percentage point reduction in employers' contributions as from 1 January, wage costs per man-hour will rise appreciably less than this in 1993.

In the first four months of the year the consumer price index stood 2.5 - 2.6 per cent higher than in the same period of 1992. Excluding food items, the increase was 3.3 per cent. This rise in the inflation rate from last year is probably ascribable to the increase in value-added tax and stronger import price growth as a result of the depreciation of the krone. In spite of these factors, food prices fell by 1.4 per cent from January-April of last year to the same period of this year. This may be partly related to keener competition in the grocery trade and the general market conditions for farm products.

Against the background of an expected growth of about 1 per cent in labour costs in 1993 and a further fall in interest rates, there is little reason to expect any clear-cut tendency in the direction of

increased price growth during the rest of the year. Hence, the consumer price index appears set to show an increase of about 2.5 per cent for the full year.

Stable currency and marked interest rate fall

After the suspension of the ECU peg, the Norwegian krone immediately depreciated by 6 per cent. Up to the end of January, however, the krone recovered by almost 2.5 percentage points, and the exchange rate has since remained stable at a level corresponding to about NOK 8.25 per ECU. Fluctuations in exchange rates between other currencies, principally the dollar and the mark, resulted in an effective appreciation of 1.3 per cent in the value of the krone in 1992. Given an unchanged effective exchange rate for the rest of the year, the krone will show an effective depreciation of about 2.3 per cent in 1993.

After supportive purchases of almost NOK 50 billion last year, Norges Bank has so far this year bought back foreign currency for an almost equally large amount. Despite this, Norwegian capital and money market rates have fallen more rapidly than rates in the ECU area so far in 1993, and the eurokrone rate is now lower than the corresponding (theoretical) ECU rate. Between the start of the year and the beginning of June the three-month interbank rate (NIDR) has fallen by 3.8 percentage points to 7.7 per cent. The banks' deposit and lending rates fell by 1 percentage point between the end of the fourth quarter of last year and the end of the first quarter of this year. A continued decline in

the interest rate level in the ECU area for the rest of the year may bring the Norwegian interbank rate down to a level approaching 6 per cent towards end-1993. This will contribute to a further decline in interest rates in private financial institutions, and their average lending rate could fall by about 1.5 percentage points from 1992 to 1993.

Large current account surplus again in 1993

Preliminary estimates show a balance of payments surplus of NOK 6.5 billion on the current account in the first quarter of this year, i.e. an increase of NOK 1.6 billion from the same period of last year. The surplus on the goods and services balance fell by NOK 1.6 billion in this period to a level of NOK 15.1 billion. The reduction is largely ascribable to a decline in the volume of exports, since the import volume fell and the terms of trade improved both in aggregate and for traditional goods.

The deficit on the interest and transfers balance is for the time being put at NOK 8.6 billion in the first quarter of this year. The improvement of NOK 3.2 billion from the same period of last year is mainly due to a fall in dividend paid by oil companies to foreign shareholders, although reduced net interest payments also contributed.

For 1992 the current account surplus is estimated at almost NOK 18 billion. The growth in the value of oil exports and continued improvement of the interest and transfers balance will set the stage for an increase in the surplus of about NOK 4 billion in 1993.

NORWAY: TRENDS IN SELECTED MACROECONOMIC VARIABLES
Percentage volume changes in 1991 prices¹⁾

	Billion 1991-NOK	Growth from the same period previous year					Growth from previous quarter, seasonally adjusted			
	1992	1992	92.2	92.3	92.4	93.1	92.2	92.3	92.4	93.1
Private consumption.....	355.9	1.8	3.6	0.9	1.9	0.6	1.6	-0.9	1.3	-1.2
Goods	218.8	1.4	2.8	0.1	2.4	-0.1	1.0	-0.5	2.0	-2.4
Services	125.7	1.6	2.7	2.0	1.0	1.3	2.3	0.4	-1.2	0.1
Norwegian consumption abroad	23.9	9.2	14.0	9.0	0.8	3.1	0.2	0.9	-0.2	2.4
-Non-residents' consumption.....	12.5	6.9	-3.8	13.7	-0.2	-2.4	-6.3	23.0	-13.5	-1.5
Government consumption.....	154.2	4.6	4.5	3.1	5.3	2.0	-0.5	1.3	0.0	1.0
Central government.....	61.5	5.3	5.1	3.5	8.0	2.2	-0.6	3.2	-2.1	1.3
Civilian	38.9	7.6	9.6	1.5	9.7	4.6	-0.1	-2.2	-0.4	7.2
Military.....	22.6	1.6	-2.5	7.4	6.1	-3.6	-1.5	13.0	-4.8	-8.4
Local government.....	92.7	4.1	4.1	2.8	3.2	1.8	-0.4	0.0	1.4	0.7
Gross fixed capital formation.....	131.5	3.5	40.2	-6.0	-3.2	17.2	39.5	-23.4	7.9	0.1
Oil and shipping	41.1	10.1	108.1	-19.8	-31.7	113.2	171.3	-56.5	3.1	37.5
Mainland Norway.....	90.4	0.8	1.6	-0.8	7.0	2.1	5.8	-1.8	9.3	-10.1
Manufacturing and mining.....	13.5	-0.4	-12.9	5.3	16.6	0.1	-3.5	11.3	8.6	-15.0
Production of other goods.....	12.0	0.9	0.1	5.6	-6.4	5.7	2.1	7.3	-9.4	7.6
Other services	64.9	1.0	5.3	-3.4	7.6	1.9	8.5	-5.9	13.4	-12.1
Stocks (contribution to GDP growth) ⁴⁾ ..	-6.3	-1.2	-7.3	2.5	-1.1	0.2	1.5	1.4	1.6	1.5
Ships and oil platforms in progress (contribution to GDP growth.....) ⁴⁾	3.2	-1.0	-6.1	2.0	0.0	1.7	-2.1	2.9	0.4	0.9
Other stocks (contribution to GDP growth) ³⁾⁴⁾	-9.4	-0.2	-1.2	0.5	-1.1	-1.4	-1.3	0.1	-0.7	0.4
Final domestic use of goods and services -gross capital formation in oil and -shipping (incl. stocks) ²⁾	635.4	1.5	3.7	2.8	0.5	3.6	6.7	-2.1	-0.0	-0.7
demand from mainland Norway	44.3	-6.4	19.3	19.2	-21.4	98.8	70.9	-23.9	8.1	36.3
demand from mainland Norway	600.5	2.3	3.6	1.2	3.6	1.2	1.7	-0.5	2.1	-2.1
Exports	326.4	6.1	1.3	4.5	5.5	-6.6	-4.4	0.1	2.6	-4.4
Traditional goods	117.1	4.1	-0.2	6.4	5.9	-3.5	-0.5	1.1	-0.6	-2.8
Crude oil and natural gas.....	107.2	10.8	7.0	15.9	7.6	-1.0	0.5	0.4	1.8	-3.4
Ships and oil platforms.....	14.9	4.8	-24.4	-50.8	0.4	-52.1	-48.8	-25.6	78.4	-29.4
Services	87.3	3.8	1.8	1.7	3.3	-5.5	-3.6	1.9	0.2	-3.5
Total use of goods and services	961.8	3.0	2.9	3.4	2.1	-0.0	2.8	-1.4	0.8	-1.9
Imports	252.5	2.2	3.7	3.8	-3.4	-1.5	8.4	-5.0	-1.2	-2.5
Traditional goods	156.9	4.2	-1.3	11.0	0.6	-4.6	-1.3	6.6	-4.7	-4.1
Crude oil	1.0	-32.7	-47.5	71.3	-47.3	42.8	91.9	-18.2	-32.1	34.1
Ships and oil platforms.....	10.8	-40.6	-8.0	-45.9	-52.2	65.7	204.3	-59.8	38.0	-0.7
Services	83.7	9.0	19.1	-0.1	3.0	-1.2	11.2	-12.9	2.7	-0.2
Gross domestic product (GDP).....	709.3	3.3	2.6	3.2	4.1	0.5	0.8	-0.0	1.6	-1.7
-Mainland Norway	574.8	2.0	1.8	0.9	3.2	1.0	1.1	-1.4	2.7	-1.2
Oil activities and shipping.....	134.5	9.4	6.2	14.5	8.0	-1.5	-0.4	6.2	-3.1	-3.9
Mainland industry	531.0	1.7	1.3	0.7	3.0	0.7	1.1	-1.7	2.7	-0.8
Manufacturing and mining.....	96.0	1.8	-0.6	2.6	1.2	0.1	1.0	-0.4	-1.2	1.6
Production of other goods.....	72.1	1.4	5.0	-4.0	10.1	1.7	3.7	-2.6	6.2	-5.2
Other services.....	362.8	1.7	1.3	1.4	2.0	0.7	0.6	-1.9	3.0	-0.5
Correction items (contribution to GDP growth) ⁴⁾⁵⁾	43.9	0.3	0.5	0.2	0.4	0.3	0.1	0.1	0.2	-0.4

¹⁾ Notes, see "Technical comments".

NORWAY: PRICE INDICES FOR SELECTED MACROECONOMIC VARIABLES

	Percentage change from the same period the previous year					Growth from previous quarter, seasonally adjusted. Per cent			
	1992	92.2	92.3	92.4	93.1	92.2	92.3	92.4	93.1
Private consumption	2.6	2.7	2.6	2.4	2.6	0.7	0.7	0.6	0.6
Government consumption	2.0	2.5	1.8	1.3	0.5	0.2	0.1	0.2	0.1
Gross fixed capital formation.....	2.1	2.5	1.1	2.5	3.2	0.7	-0.5	1.7	1.1
-Mainland Norway	0.6	0.8	0.2	0.5	1.2	0.4	-0.3	0.5	0.6
Final domestic use of goods and services	2.4	2.8	2.0	2.2	2.1	0.7	-0.7	-0.2	2.7
-Demand from mainland Norway	2.1	2.4	2.1	1.8	1.8	0.5	0.4	0.5	0.5
Exports	-7.2	-7.6	-8.8	-4.1	5.0	1.0	-1.4	2.8	2.6
-Traditional merchandise exports.....	-6.7	-6.9	-7.2	-4.2	0.5	0.7	-0.6	-0.6	1.2
Total use of goods and services	-0.9	-0.7	-1.6	0.1	3.2	1.1	-1.0	0.7	2.8
Imports	-0.3	0.1	-2.3	-0.7	1.7	-0.3	-1.3	1.5	2.0
-Traditional merchandise imports	-1.9	-1.8	-4.6	-3.0	-1.1	-0.8	-2.2	0.6	1.4
Gross domestic product (GDP).....	-1.1	-1.1	-1.4	0.4	3.8	1.5	-0.9	0.4	3.0
-Mainland Norway	11.6	1.8	2.3	2.1	1.9	0.7	0.7	-0.0	0.9

TECHNICAL COMMENTS ON THE QUARTERLY ACCOUNTS FIGURES

Footnotes: 2) Including ships, oil platforms and platform modules in progress. 3) Excluding ships, oil platforms and platform modules in progress. 4) Contributions to GDP growth are calculated as the difference between corresponding figures calculated as a percentage of GDP. 5) Corrected for free bank services and certain excises.

Quarterly calculations: The calculations are made on a less detailed level than the calculations for the annual national accounts, and are based on more simplified procedures. The quarterly national accounts figures for the years up to and including 1991 have been reconciled against the most recently published annual accounts figures.

Gross fixed capital formation: Total gross fixed capital formation is heavily influenced by significant fluctuations in investment in oil activities. These fluctuations are inter alia due to the fact that platforms that have been under construction for several years are counted as investment in the quarter and with the capital value they have at the time they are towed out to the field.

Seasonally-adjusted figures: The original quarterly national accounts are not seasonally adjusted, as these accounts are attempts to register the actual transactions that have taken place in each quarter. Many of the statistical series thus show clear seasonal variations. These are therefore seasonally adjusted on the detailed accounts level and then added together with the other statistical series to obtain the figures presented in the tables and charts of this volume.

Underlying trend: The Norwegian economy is so small that random or single important occurrences can give wide variations in the figures. The seasonally adjusted figures are therefore smoothed so that it is possible to calculate the underlying trend for each series. Smoothing is an attempt to distinguish between random and systematic variations in the series.

NORWAY: REVISIONS OF UNDERLYING TREND

Percentage growth from previous quarter. Seasonally adjusted and smoothed. Annual rates

Publ.	89.2	89.3	89.4	90.1	90.2	90.3	90.4	91.1	91.2	91.3	91.4	92.1	92.2	92.3	92.4	93.1
GDP mainland Norway																
Feb. -90	2	3	2													
June -90	1	1	0	-2												
Sept. -90	1	1	1	1	3											
Dec. -90	1	1	1	2	3	3										
Feb. -91	1	2	1	1	2	2	2									
June -91	0	1	1	1	1	1	0	-1								
Sept. -91	0	1	1	1	1	1	0	0	-1							
Dec. -91	0	1	1	1	1	1	0	0	-1	-1						
Feb. -92	0	1	1	1	1	1	0	0	0	0	1					
June -92	0	2	2	2	2	1	1	0	-1	-1	0	1				
Sept. -92	0	2	2	2	2	1	0	0	-1	-1	0	2	3			
Dec. -92	0	2	2	2	2	1	0	0	-1	0	0	1	1	0		
Feb. -93	0	2	2	2	2	1	0	0	-1	0	1	2	2	1	-1	
June -93	1	2	2	2	1	1	0	-1	-1	-1	1	2	2	2	2	0

Final demand from mainland Norway

Feb. -90	-2	0	1													
June -90	-2	-1	-1	-1												
Sept. -90	-2	0	1	2	3											
Dec. -90	-2	-1	0	1	2	2										
Feb. -91	-2	0	1	1	2	2	2									
June -91	-3	-1	0	1	1	0	0	-2								
Sept. -91	-3	-1	0	1	1	0	-1	-2	-3							
Dec. -91	-3	-1	0	1	1	0	-1	-2	-2	0						
Feb. -92	-3	-1	0	1	1	0	-1	-1	0	3	4					
June -92	-2	-1	0	1	1	1	0	0	0	2	2	2				
Sept. -92	-2	-1	0	1	1	1	0	0	0	1	2	2	3			
Dec. -92	-2	-1	0	1	1	1	0	0	0	1	2	2	2	1		
Feb. -93	-2	-1	0	1	1	1	0	0	0	1	2	2	2	1	0	
June -93	-2	-1	0	1	1	1	0	-1	-1	1	2	2	3	2	1	-1

COMMENTS ON THE REVISIONS

Revisions can either be due to new/revised quarterly figures for the current year, new/revised annual national accounts figures for previous years, or a change to a new base year. Because the growth rates calculated as annual rates are rounded off to the nearest whole per cent, a 1 percentage point change in the growth rate can be due to different rounding.

Published: Price basis: New annual accounts: Other comments:

Dec. -89	1987	Revised seasonal adjustment programme
Feb. -90	"	
June -90	1988	1987-88
Sept. -90	"	
Dec. -90	"	
Feb. -91	"	
June -91	1989	1988-89
Sept. -91	"	
Dec. -91	"	
Feb. -92	"	
June -92	1990	1989-90
Sept. -92	"	
Dec. -92	"	
Feb. -93	"	
June -93	1991	1990-91

Economic policy

In the Revised National Budget for 1993 this year's deficit on the government budget before loan transactions is put at about NOK 53.9 billion. In 1991 and 1992 the deficit was NOK 19.7 and NOK 34.9 billion, respectively. About half the increase in the budget deficit from 1991 to 1993 is ascribable to reduced net earnings from petroleum activity. The budget deficit adjusted for the state's net petroleum revenues is estimated at NOK 77.1 billion in 1993, i.e. an increase of almost NOK 12 billion from 1992.

The increase in the oil-adjusted budget deficit in recent years is related to the cyclical trend in the Norwegian economy. The rise in unemployment and the low growth in domestic demand have led to increased payments of unemployment benefits and a weak trend in direct and indirect tax receipts. A perceptible underlying growth in transfers to the private sector has also contributed to the increase in

the oil-adjusted deficit. In addition the deficit on the government budget has led to reduced net interest revenues. In the government budget for 1993 the state's net interest revenues are expected to be NOK 9.7 billion lower than in 1991.

The main factor behind the expected fall in the state's net oil revenues from 1992 to 1993 is the estimated increase in investments in state petroleum activity of NOK 13.6 billion in this period. Oil investments and other capital contributions to government enterprises are expenditures which do not lead to a future financial burden for the government budget. Investments in state petroleum activity could in addition achieve a rate of return that is substantially higher than the financing costs. Thus, in order to obtain a picture of the government budget's impact on the financial position of the Treasury, the budget deficit should be adjusted for investments in government enterprises. With such

GOVERNMENT BUDGET: REVENUE AND EXPENDITURE

	Estimate on accounts ¹⁾		Growth from previous year, %	
	1992	1993	1992	1993
Total revenue	317.4	317.4	0.3	0.0
Taxes, royalties and other revenue from petroleum activity	42.2	43.7	-9.2	3.6
Total revenue excluding oil revenue	275.2	273.7	1.9	-0.6
Taxes and excise duties from mainland Norway	204.6	200.0	3.1	-2.2
- Direct taxes and social security contributions	97.0	86.1	-2.9	-11.2
- Excise duties	107.5	113.9	9.1	5.9
Other revenue incl. interest revenue and transfers from Norges Bank	70.7	73.6	-1.2	4.2
Total expenditure	352.3	371.4	4.8	5.4
Expenditure on state petroleum activity	11.7	20.6	67.4	75.5
Total expenditure excluding petroleum activity	340.6	350.8	3.5	3.0
Purchase of goods and services	84.3	84.6	4.7	0.4
Transfers	256.3	266.2	3.0	3.9
- To local government administration	52.5	51.8	7.2	-1.3
- Other transfers	203.8	214.4	2.0	5.2
Surplus before loan transactions	-34.9	-53.9		
Surplus before loan transactions adjusted for oil taxes and state petroleum activity	-65.4	-77.1		
Surplus excl. capital contributions to state enterprises	-29.8	-37.9		

1) Revised National Budget for 1993.

an adjustment, the budget deficit is estimated at NOK 37.9 billion in 1993 compared with a corresponding deficit of NOK 29.8 billion in 1992. Thus higher investments in government enterprises explains almost 60 per cent of the increase in the ordinary budget deficit from 1992 to 1993.

In the Revised National Budget the government budget for 1993 is estimated to contribute to an increase in domestic demand for goods and services from 1992 to 1993 corresponding to 1 per cent of mainland Norway's GDP. This figure incorporates adjustment for the cyclical dependence of certain revenues and expenditures, and for factors which do not affect domestic demand directly. In the National Budget for 1993 the budget changes from 1992 to 1993 were estimated to have an approximately neutral effect on domestic demand for goods and services.

In the Revised National Budget the government proposes supplementary appropriations over the government budget for 1993. The main elements in the government proposal are:

- NOK 100 million to be provided to increase the student intake in higher education by 2,500. Combined with previous appropriations, total capacity is increased by 9,500 places as from the autumn of 1993.
- State bank lending rates to be lowered from 1 July. Interest support to be raised by a total of NOK 450 million. Most interest rates to be reduced by 1-2 percentage points.
- Job-creation programmes to be stepped up. Number of job-slots to be increased from

about 53,800 in the adopted budget to 60,000 on average for 1993. The new places will be especially targeted at young unemployed people between 20 and 25 years and the long-term unemployed.

- Appropriations to the public health sector to be increased by NOK 300 million.

The government's intention is that this year's budget deficit should not widen as a result of supplementary appropriations during the year and that real expenditures for 1993 should stay approximately at the level set out in the adopted budget. The government therefore proposes reductions of NOK 1.8 billion in the item "occasional expenditures". Furthermore, measures are proposed to increase revenues and somewhat reduce other expenditure.

The government proposes in the Revised National Budget the introduction of an extra employer's contribution of 10 percent of wage incomes in excess of NOK 584,000 as from 1993. This proposal is estimated to increase state revenues by about NOK 200 million on an annual basis, but the measure will not result in increased book taxes until 1994. Another proposal refers to an arrangement involving VAT compensation for milk, cheese and meat as from the second half of 1993. The existing subsidies on milk and cheese concurrently cease to apply. In the government budget for 1994 an increase of 0.5 percentage point will be proposed in the top category of state wealth tax. State tax receipts are estimated to increase by NOK 800 million on an annual basis as a result of this.

Outlook for 1993 and 1994

Estimates of macroeconomic developments in Norway for 1993 and 1994 have been made using the Central Bureau of Statistics' macroeconomic quarterly model, KVARTS. The estimates for this year and next year are well in line with the projections presented in the February issue of Economic Review. According to our calculations, the rapid growth in oil sector investment in 1993 will be replaced by a relatively steep decline in 1994. Demand in the mainland economy will expand at a moderate pace in 1993, but like foreign demand will pick up in 1994. Even so, unemployment will remain at about the same level as in 1992. Moderate wage growth, a reduction of employers' contributions as from 1 January 1993, a marked fall in interest rates and slow growth in import prices mean that the rise in consumer prices in 1993 will not be much higher than in 1992, despite increased value added tax and a reduced krone exchange rate. For 1994 our calculations incorporate an assumption of a weak effective depreciation of the krone and a marked increase in prices on the world market. Even so, continued moderate wage growth, little impetus to prices from the indirect tax programme and a further fall in interest rates augur a slight slowdown in price inflation.

Exchange and interest rates

Our calculations are based on a constant exchange rate against the ECU as from May this year. A continued decline in German interest rates in 1993 is expected to lead to a strengthening of the dollar, yen and Swedish krona against the ECU in the

period ahead. This will cause an effective depreciation of the krone of approximately 2.5 per cent from 1992 to 1993 and of 1 per cent in 1994.

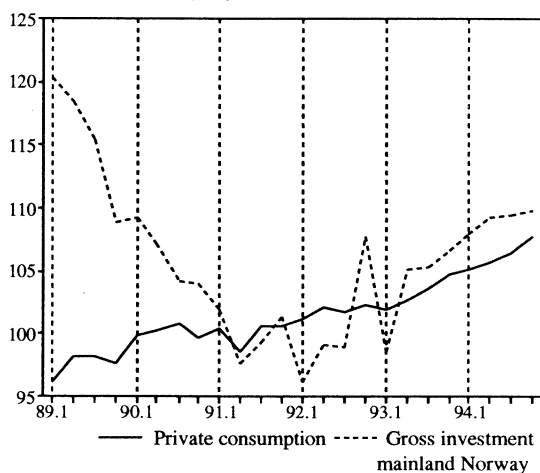
The interest rate fall in Germany and hence in the rest of the ECU area is expected to push money market rates in Norway further down, albeit at an appreciably slower pace than in the first five months of the year. Money market rates in the ECU area are assumed to remain constant as from the first quarter of 1994. According to our calculations the Norwegian money market rate (three-month NIDR rate) will fall to 7.8 per cent as an average for 1993 and to 6 per cent next year, i.e. roughly the same level as the corresponding rate in the ECU area. As a result, average real after-tax interest rates charged by private financial institutions on household loans will fall from 7.3 per cent in 1992 to 5.2 per cent in 1994.

Upswing in international market growth in 1994

Estimates of economic activity in several of Norway's main trading partners have been revised down in recent months. In keeping with this we base our calculations on the expectation that market expansion will be slower in 1993 than in 1992, picking up in 1994.

The price of crude oil is assumed to fall from an average of USD 19½ p.b. in 1992 to USD 18½ in 1993, and thereafter to rise to USD 19¼ p.b. in 1994. Combined with our exchange rate assumptions this entails an expected oil price of NOK 129 p.b. in 1993, rising to NOK 140 p.b. in 1994.

CONSUMPTION AND INVESTMENT
1991=100. Seasonally adjusted



EXPORTS AND IMPORTS OF TRADITIONAL
MERCHANDISE. 1991=100. Seasonally adjusted



International prices are expected to rise fairly slowly in 1993, but to quicken somewhat later in 1994 as international trading conditions improve. Prices of aluminium and other metals are, in keeping with the normal business cycle pattern, assumed to remain fairly low in 1993 and to accelerate markedly in 1994.

In our calculations the rise in prices of traditional imports will quicken from -1.7 per cent in 1992 to 0.9 per cent in 1993 and to 3.2 per cent in 1994. The turnaround in import prices is largely related to the exchange rate trend. The vigorous rise in metal prices as well as a modest increase in international inflation, will contribute to rising import prices in 1994.

Oil sector

Accrued oil investment is expected to increase by almost 21 per cent from 1992 to 1993. Several major investment projects will be completed in 1994. We therefore assume a fall of almost 9 per cent in oil investment next year. Production of oil and gas is expected to show a moderate increase in 1993. Production growth will be substantially stronger in 1994.

Economic policy

Our calculations are based on the policy stance defined by the Revised National Budget for 1993.

MAIN ECONOMIC INDICATORS				
Percentage change in volume from previous year unless otherwise noted				
	1992	1993		1994
	Accounts	CBS	MoF ¹⁾	CBS
Private consumption	1.8	1.4	1.3	2.9
Public consumption	4.6	2.3	2.3	1.8
Gross fixed capital formation ²⁾	3.5	22.4	-	-12.4
- mainland Norway	0.8	3.2	-1.6	4.8
Exports	6.1	-0.3	-1.4	5.5
- crude oil and natural gas	10.8	4.9	2.0	8.4
- traditional exports	4.1	-0.1	1.0	3.1
Imports	2.2	3.5	1.7	3.9
- traditional exports	4.2	1.3	1.0	3.0
Gross Domestic Product (GDP)	3.3	2.4	0.8	3.0
- mainland Norway	2.0	2.3	1.3	1.8
Man-hours worked, employees	0.5	0.0	0.1	1.0
Unemployment rate (level)	5.9	6.1	-	5.9
Rise in wages per man-hour	2.9	3.0	2 1/4	3.0
Consumer Price Index	2.3	2.4	2.5	2.1
Short term interest rate (level)	11.8	7.7	-	6.1
Average borrowing rate (level) ⁴⁾	13.5	12.2	-	10.4
Import prices, traditional goods	-1.7	0.9	2.5	3.2
Export prices, traditional goods	-6.7	2.9	1.0	6.5
Current balance (level, bill.NOK)	17.8	22.1	15.9	41.3
<i>Memorandum items:</i>				
Demand from mainland Norway ³⁾	2.3	1.9	1.2	2.9
Accrued investments in the oil sector	8.6	21.1	16	-9.6
Crude oil price, NOK (level)	121	129	128	140

1) MoF: Forecast according to Ministry of Finance, Revised National Budget Proposal 1993.
2) Includes oil platforms. In the National Accounts these are measured as additions to the capital stock at the time they are installed offshore. As a consequence, the growth rates may show significant fluctuations.
3) Private consumption + Public consumption + Gross fixed capital formation in mainland Norway.
4) Average rate on household debt in private financial institutions.

For 1994 we have assumed moderate growth in general government consumption, approximately unchanged real tax rates and a somewhat lower increase in indirect taxes than in preceding years.

Small changes in wage and price growth

Our calculations show a 2.4 per cent rise in consumer prices this year, i.e. a substantial downward revision of the estimate given in the February issue of Economic Review. The increase from 20 to 22 per cent in value added tax would, if passed on in its entirety, *ceteris paribus* have contributed to an increase of more than 1 percentage point in price inflation this year. The reduction of 2.4 percentage points in employers' contributions and the re-introduction of consumer subsidies on some farm products pull in the opposite direction. Keen competi-

tion in consumer goods markets has probably prevented the increase in value added tax and the depreciation of the Norwegian krone from being fully passed on to the domestic consumer.

The rate of increase of consumer prices next year is put at 2.1 per cent. A continued fall in the interest rate level, which is expected to affect housing rentals, as well as moderate increases in indirect taxes are factors behind the low estimate for price inflation next year. Higher import price growth in 1994 than in 1993 pull in the opposite direction.

The reduction of employers' contributions is expected *ceteris paribus* to contribute to increased hourly wage rates. Even so, with slowing domestic price growth and continued high unemployment, growth in hourly wage rates will be moderate both in 1993 and 1994. Hence the stage is set for a weak increase in real wages in both forecasts.

Moderate rise in mainland demand

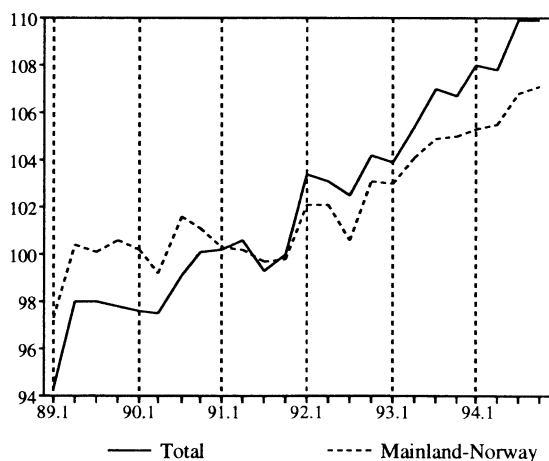
General output growth and falling interest rates will lead to some upswing in investment in mainland Norway in 1993, and according to our calculations the upswing will continue in 1994. Manufacturing investment is expected to rise by about 9 per cent in both years. Investment in private services is also expected to increase both this year and next, while investment in the public sector is expected to be reduced in 1993, and to remain more or less unchanged in 1994. We expect residential investment to bottom out early next year, thereby showing a modest growth from 1993 to 1994. The turnaround in residential investment is related to the fall in real interest rates and several years of growth in household incomes.

In keeping with the increase in income and the trend in real interest rates, our calculations indicate a rise of 1.4 per cent in private consumption this year and 2.9 per cent in 1994. The household saving ratio will rise moderately from 5 per cent in 1992 to 5.9 per cent in 1993, and then fall to about 4.5 per cent in 1994.

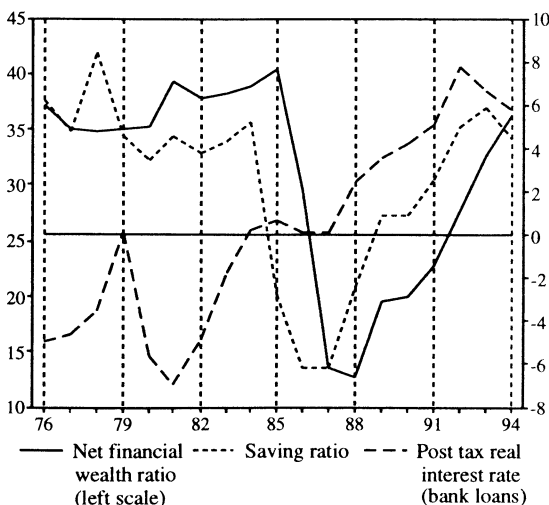
Reduced exports in 1993, growth in 1994

Slow expansion is expected in Norway's export markets in 1993, implying negligible change in exports of traditional goods compared with 1992. Excluding energy-related goods, exports of traditional goods will expand by 1 per cent in 1993, against 2.5 per cent last year. In 1994 stronger market expansion will contribute to an increase in traditional exports. Total exports are set to increase by about 1/2 per cent in 1993 but will rise by just over 5 per cent in 1994 as a result of renewed strong growth in exports of crude oil and natural gas and higher freight earnings in maritime trade.

GROSS DOMESTIC PRODUCT
1991=100. Seasonally adjusted



NET WEALTH RATIO, SAVING RATIO AND POST TAX REAL INTEREST RATE 1976 - 1994



Source: Norges Bank and CBS.

Moderate GDP expansion both in 1993 and 1994

The vigorous growth in oil sector investment in the current year will be a driving force behind output growth in mainland Norway. Output growth in industry catering for the off-shore sector will therefore be very high in 1993, as in 1992. Export-oriented manufacturing will show a very weak output trend this year owing to the slow market expansion, but production will also gather momentum in these trades next year in keeping with improved market prospects. The investment upturn in the mainland economy will lead to increased output in the construction sector in 1993. According to our calculations, GDP expansion in the mainland economy as a whole will amount to just over 2 per cent in the current year.

In 1994 the sharp fall in oil sector investment will be reflected in a drop in gross manufacturing output. Output elsewhere in business and industry is in general expected to expand at a slightly faster rate in 1993. Even so, total output growth in mainland sectors will be reduced from 1993 to 1994. Oil and gas production and production in maritime trade are, however, assumed to expand sharply in 1994, resulting in somewhat higher GDP expansion in 1994 compared with 1993.

Rising balance of payments surplus

The current account surplus reached NOK 17.8 billion in 1992. We estimate a surplus of NOK 22 billion in the current year. The improvement in the

current account in 1993 is attributable to a reduction in the interest and transfers balance due partly to lower dividend payments by oil companies to foreign shareholders and partly to a reduction in the foreign debt and lower interest rates. In 1994 rising oil and gas production, an increase in the oil price in terms of Norwegian kroner, declining oil investment (part of which is imported), and improved terms of trade will result in a substantial increase in the current account, to more than NOK 40 billion. The improvement in the terms of trade is due among other factors to a substantial increase in the price of crude oil in Norwegian kroner.

Small changes in unemployment in 1993 and 1994

With continuing moderate expansion of the Norwegian economy, the situation in the labour market will not change substantially in 1993 and 1994 compared with 1992. The unemployment rate will rise somewhat in 1993. Towards the end of the forecasting period unemployment will fall, leaving the 1994 figure at the 1992 level. It now appears that the decline in the supply of labour that has lasted since 1988 may have come to a halt and that the supply will increase somewhat in the coming period. Our calculations indicate that the supply of labour will increase by almost 10,000 persons in 1993, which however is lower than the underlying demographic factors alone suggest (15-20,000 persons). In 1994 the supply of labour is expected to rise more in keeping with the trend in the age composition of the population.

Economic policy calendar, 1993

January

5. The oil tanker "Braer", carrying 85,000 tons of crude oil from the Norwegian Gullfaks field, runs aground off Shetland. A rescue operation is impeded by strong winds and high waves. After several days of severe weather conditions "Braer" breaks up and sinks. Although most of the oil has run out, pollution damage proves less serious than feared since high winds cause large quantities of spilled oil to disperse.

6. Norges Bank lowers its overnight lending rate from 11 to 10.5 per cent.

8. Spain imposes a ban on all imports of Norwegian salmon with immediate effect after France and Italy halted imports of ungutted fish earlier in the week. All three countries justified their action with reference to the discovery of diseased Norwegian salmon.

8. The Norwegian gas negotiation committee and the Belgian company Distrigaz sign a contract for the delivery of 1.9 cu. m. of Norwegian gas per year over a period of 21 years. The gas is to be landed via the Zeepipe pipeline, which is under construction, and will be used for electricity production in Belgium.

11. Spain lifts its ban on gutted Norwegian salmon, but upholds the ban on ungutted salmon from Norway (cf. 8/1).

13. US, French and British aircraft bomb military targets in southern Iraq. The attack is in response to repeated Iraqi violations of UN resolutions restricting military movements south of 32 degrees latitude.

15. Norges Bank lowers its overnight lending rate from 10.5 to 10 per cent.

20. The Danish supertanker "Maersk Navigator" catches fire in the Strait of Malacca, and the crew abandon ship. Large quantities of oil are spilled and there are fears of substantial pollution damage to surrounding waters and beaches.

21. Kværner Concrete Construction is formally commissioned to build the substructure for the oil rig at the Troll field. The contract is worth about

NOK 2.1 billion, and will employ about 1,000 persons directly on the project which will be located at Hanøytangen outside Bergen.

27. The US Department of Trade imposes customs tariffs on steel imports from a number of countries. The tariff rates vary for manufacturers in different countries: For instance Sweden faces a tariff rate of 22 per cent, while British Steel meets the highest rate of around 109 per cent. The USA will make its final decision during the spring of 1993.

February

2. Norges Bank lowers the interest rate on overnight loans to private banks from 10 to 9.75 per cent with effect from 3 February. The rate on banks' deposits with Norges Bank is simultaneously lowered to 8.75 per cent. Two days later (5/2) both rates are lowered by a further 0.25 percentage point with effect from 8 February.

4. The German Bundesbank lowers its discount rate by 0.25 percentage points to 8 per cent. Concurrently the signal rate on loans to private banks - the Lombard rate - is lowered from 9.5 to 9 per cent.

5. The government presents the Long-term Programme for 1994-97. Besides staking out political courses for the future, the Programme outlines possible economic developments up to 1997 and also onwards towards 2030.

11. The Christiansen committee presents its recommendations which inter alia has considered the proposed introduction of differentiated value added tax, including lower VAT rates on food articles. A majority of the committee argues against differentiated VAT. They point out that it would entail substantial administrative problems and that in their view the distributional effects are unclear.

16. Den norske Bank presents its 1992 accounts, showing a new large deficit. Including losses on loans etc., Den norske Bank recorded a net deficit last year of about NOK 3 billion, i.e. half the previous year's deficit. At the turn of the year Den norske Bank had a capital ratio of 8.8 per cent.

17. OPEC countries agree on new production quotas for the second quarter of 1993. Under the new agreement, overall OPEC production will be re-

duced by 1.4 million barrels per day to 23.5 barrels per day.

18. In a speech to the US Congress President Clinton announces a set of tax increases and government spending cuts designed to reduce the federal budget deficit by 500 billion USD in the period to 1997. In addition to tax increases for the highly paid, Clinton announces an increase in petrol taxes of 4 øre per litre.

19. Norges Bank lowers its overnight lending rate from 9.5 to 9.25 per cent with effect from 22 February.

25. Negotiators from EC and EFTA member states agree on a modification of the text of the agreement on the European Economic Area after Switzerland said no to the EEA. The solution reached entails that the EFTA countries pay about two-thirds of Switzerland's original share to the EC regional development fund. For Norway this entails an extra bill of about NOK 35 million per year for the next five years. The EEA agreement is intended to come into operation on 1 July this year, but the new agreement text must first be approved by all the affected countries' parliaments.

25. The government-appointed committee investigating UNI Storebrand's acquisition of Scandia shares, headed by supreme court advocate Erling Sandene, delivers its report. The report sharply criticises both the Ministry of Finance and "Kreditilsynet", the institution controlling and supervising the market for banking, insurance and securities in connection with UNI Storebrand's "raid on Scandia". The Sandene Committee also levels harsh criticism at UNI Storebrand's then management, and recommends the establishment of a special public commission of enquiry into conditions within the UNI Storebrand.

March

1. The 10 øre coin is withdrawn from circulation. From now on no-one is obliged to accept 10 øre coins in payment for goods and services. Norges Bank will change such coins into legal tender for a ten-year period.

4. The "Transfers Committee", headed by Per Kleppe, delivers its report. The committee's brief was to propose cuts totalling NOK 5 billion in central government transfers. The report's concrete proposals diverge widely. A majority of the committee recommends cuts of almost NOK 1 billion in subsidies to agriculture. Various groupings of the committee call for removal of food subsidies, a tighter

sickpay scheme and a reduction in childrens allowance's.

5. Norges Bank lowers its overnight lending rate by 0.25 percentage points to 9 per cent, following a further reduction of the German central bank interest rate level. The latter refers to a so-called repurchase loan from the German central bank to private banks, in which the interest rate was set at 8.25 per cent, i.e. ¼ percentage point lower than previously.

8. Production tests show that the Nordland II oil field off the Helgeland coast is profitable. Preliminary test results indicate that the field's reserves may match those of the Heidrun field which contains around 750 million barrels of oil. The oil stratum, at a depth of some 2,700 metres, is a good 100 metres thick, and is situated below a gas field of 25 metres. Nordland II could come on stream in 1998.

12. Norges Bank lowers its interest rate on overnight loans to commercial and savings banks from 9 to 8.75 per cent. The rate on banks' deposits with Norges Bank is reduced correspondingly - to 7.75 per cent.

17. Raufoss A/S sign contracts worth NOK 200 and 500 million respectively with car manufacturers BMW and Audi for delivery of aluminium bumpers.

18. The German Bundesbank lowers its discount rate by 0.5 percentage points to 7.5 per cent. Several other European countries follow up by cutting official interest rates by up to 0.5 per cent.

24. The EC Commission issues an "avis" - a written assessment - on Norway's application for EC membership. The Commission asserts that Norway will make a positive contribution to developing important aspects of EC policy in areas such as the environment, foreign affairs and security. The greatest problems in the forthcoming negotiations are considered to involve access to coastal waters and fishery resources.

29. The Trade Union Confederation (LO) breaks off centralised pay negotiations with the Norwegian Business and Industry Confederation (NHO). The LO demands a general increment of NOK 1.32 for all members as from 1 April this year, plus a low-pay increment of 60 øre in areas in which average pay is less than NOK 160,000 per year. A main reason for the breakdown of the talks is that the government has not so far signalled its willingness to finance an extension of contractual pension down to the age of 64.

30. Danish fishermen impose a blockade against fish imports from foreign countries, including Norway. Fishermen in France and Germany have also taken action against what are seen as dumping of fish imports from eastern Europe and EFTA states.

30. The general meeting of Den norske Bank resolves to write down the bank's ordinary share capital to nil, which is a condition for receiving a further NOK 1.5 billion from the Government Bank Insurance Fund. This brings the state holding in Den norske Bank to 70 per cent.

31. The board of Norsk Data A/S proposes that its share capital be written down to nil. According to the proposal Fokus Bank and Den norske Bank will take control of the company, and parts of the company's debt to the banks will be converted to new share capital. The result of the debt settlement negotiations also requires the banks to pay 25 per cent of Norsk Data's debt to its German creditors.

April

1. Norges Bank lowers its interest rate on overnight loans to commercial and savings banks from 8.75 to 8.50 per cent with effect from this date. This rate has thus been lowered by 2.5 percentage points since the New Year. The banks' deposit rate with Norges Bank is reduced correspondingly - to 7.50 per cent.

5. Norway's negotiations on EC membership are formally started. Trade minister Bjørn Tore Godahl delivers Norway's opening address.

5. Johan Jørgen Holst takes over as Norway's foreign minister after Thorvald Stoltenberg accepts the post of chief UN negotiator in the former Yugoslavia. Jørgen Kosmo replaces Holst as defence minister.

12. Sparebanken NOR introduces over-the-counter share trading. For a fee of NOK 120, small shareholdings can initially be bought in ten quoted companies. The price will normally be 1 per cent below the quotation, owing to the risk the bank incurs in retaining such holdings. Persons wishing to deal must have an account with the Norwegian Registry of Securities.

13. The Confederation of Trade Unions (LO) announces a strike action by all private sector members with effect from 16 April if attempts at mediation in the collective wage talks fail. The Main Association of Vocational Organisations (YS) in-

tends to call out some 90 persons in ferry services as from the same date.

13. Danish fishermen call off their action against Norwegian fish imports after the fishermen's organisations and the Danish government reach agreement on financial support for the fishermen.

15. The largest countries in the OECD - the Group of Seven - agree on a package of financial transfers to Russia worth a good USD 43 billion. About half the package comprises renegotiated foreign debt, as well as amounts granted previously but not yet disbursed. Large parts of the package are conditional upon Russia's continuation of the reform policy.

16. The Confederation of Trade Unions (LO) and the Confederation of Business and Industry (NHO) come to an agreement in the year's wage round, after the government has signalled that it will contribute about NOK 50 million towards lowering the minimum contractual retirement age to 64 years. The agreement entails general increments of NOK 1 per hour for wage earners without local bargaining rights and 60 øre per hour for wage earners with local wage negotiations.

19. Norges Bank lowers its overnight lending rate from 8.50 to 8.25 per cent. The interest rate on financial institutions' deposits with Norges Bank is concurrently lowered to 7.25 per cent.

19. In Luxembourg, EC and EFTA finance ministers agree to initiate a coordinated investment programme to stimulate economic growth and reduce unemployment. The EC will spend NOK 290 billion on infrastructural investments over the coming two years.

19. At a referendum in Italy about 83 per cent of votes cast are in favour of a new electoral system. The new system entails inter alia election to the parliament by simple majority voting.

22. The German Bundesbank lowers its discount rate by 0.25 percentage points to 7.25 per cent. Concurrently the signal rate on loans to private banks - the Lombard rate - is lowered from 9 to 8.5 per cent.

23. Norges Bank lowers its overnight lending rate from 8.25 to 8.00 per cent. The deposit rate is lowered by the same margin to 7.00 per cent.

26. Masa Yards, Kværner's shipyard in Åbo, Finland, signs a contract worth a total of NOK 6.5 billion to build four gas carriers for the Abu Dhabi Oil Company. It is suggested that Norwegian en-

terprises could have subcontracts of the order of NOK 200 - 500 million related to the building of these ships.

29. Norges Bank lowers its overnight lending rate vis-à-vis private banks from 8.00 to 7.75 per cent. The deposit rate is correspondingly lowered to 6.75 per cent.

May

5. A special committee on living standards, headed by Svein Longva, presents its recommendations. A main conclusion of the report is that the living standard of most parts of the population improved in the 1980s. The largest problems refer to the labour market, where growing unemployment has hit young people in particular.

8. The state and the Norwegian Farmers' Union reach a new agreement for the agriculture sector. Under the agreement, transfers over the government budget are cut by NOK 200 million to NOK 11.5 billion. The agreement also provides for a reduction in contractual prices totalling NOK 265 million. This is the first time the parties to the annual agriculture negotiations adopt an agreement entailing a reduction in the agreement's overall transfers. However, the Norwegian Farmers' and Smallholders' Association withdrew from the negotiations before their completion.

13. The Government Bank Insurance Fund and Oslobanken agree on a controlled liquidation of the bank. The Insurance Fund undertakes to deposit NOK 88 million with Oslobanken as part of this process.

14. The government presents the Revised National Budget for 1993 in which it proposes an increase of wealth tax from 0.3 to 0.8 per cent on assets exceed-

ing NOK 235,000 in class 1 and NOK 265,000 in class 2. Wage incomes exceeding NOK 584,000 (16 times the basic amount available under the National Insurance Scheme) are subject to a special employers' contribution of 10 per cent. Transfers are cut by a total of NOK 3.5 billion which will be redeployed to other ends.

14. The Spanish peseta and Portuguese escudo are written down by 8 and 6.5 per cent respectively in the ERM.

15. The International Whaling Commission extends its resolution to disallow whaling. Norway and Japan strongly dissociate themselves from the declaration, and uphold earlier decisions to start whaling operations. On 18 May the Norwegian government decides to permit the hunting of 300 lesser rorqual whales in 1993.

18. In a new referendum Denmark says yes to the Maastricht treaty, while upholding the reservations negotiated in relation to the original union plans. At the first referendum in June 1992 the Danes came out against the Maastricht treaty.

20. Members of the Norwegian Union of Journalists and some other groupings in the Norwegian Broadcasting Corporation (NRK) start strike action after the unions and the NRK management fail to agree on pay increments. The strike is called off after four days. The new pay offer from the NRK management involves a general increment of NOK 4,200. On top of this, 550 journalists attached to the news and current affairs departments receive pay increases of NOK 7,500.

24. Norges Bank lowers its overnight lending rate vis-à-vis private banks from 7.75 to 7.5 per cent. This time no change is made in the banks' deposit rate which stays at 6.75 per cent.

New Research Reports

DISCUSSION PAPERS

Einar Bowitz:

UNEMPLOYMENT AND THE GROWTH IN THE NUMBER OF RECIPIENTS OF DISABILITY BENEFITS IN NORWAY

Discussion Paper no. 82, 1993. 29 pages.

The paper contains an analysis of factors behind the increases in the number of disability recipients in Norway. Entry rate functions for disability benefit are estimated using grouped time series data for entry rates by sex and age. It is found that an equation containing the level of unemployment, replacement ratios (after tax) and for women, labour participation rates, have a number of desirable properties. The estimated equations are then integrated in a model of entry into and exit from disability, and this model is used to decompose the increase in the number of disability recipients in the 1980s. The increase in unemployment above 1980 levels explains about one half of the actual increase in recipients, whereas increased female labour participation and replacement ratios for men and women together explain the other half.

Kjell Arne Brekke:

DO COST-BENEFIT ANALYSES FAVOUR ENVIRONMENTALISTS?

Discussion Paper no. 84, 1993. 26 pages.

Money and environmental quality units are considered as unit for aggregating willingness to pay. For those with a high willingness to pay for environmental quality, the choice of money as aggregation unit is most favourable. Arguments for either choice of aggregation unit are discussed, and I argue that none of them is convincing, and that both choices are equally natural. Thus in the choice between two equally natural procedures, the conventional choice favours a particular group. On the other hand, with no "correct" choice we cannot conclude that the conventional method is "biased".

Leif Andreassen:

DEMOGRAPHIC FORECASTING WITH A DYNAMIC STOCHASTIC MICROSIMULATION MODEL

Discussion Paper no. 85, 1993. 51 pages.

This paper summarizes some of the main features of demographic microsimulation modeling, including a comparison with other demographic forecasting techniques. It also presents a dynamic stochastic microsimulation model, MOSART, which projects the population, labor force, and education level. This model illustrates some of the basic prin-

ciples of forecasting by means of microsimulation. The two most distinctive features of the model is that it is based on a large real sample of the population (as opposed to a synthetic sample) and that it is programmed in an object oriented language. An appendix gives a brief general survey of the use of microsimulation models in Norway.

Geir B. Asheim and Kjell Arne Brekke:

SUSTAINABILITY WHEN RESOURCE MANAGEMENT HAS STOCHASTIC CONSEQUENCES

Discussion Paper no. 86, 1993. 32 pages.

Sustainability is usually defined as a requirement to each generation to manage the resource base such that the average quality of life that it ensures itself can be shared by all future generations. When the consequences of each generation's management of the resource base are not deterministic, this definition can, however, not be used. The purpose of this note is to present a characterization of the usual definition of sustainability that can be extended to, and hence provides a definition in, the case with risk. The properties of this proposed definition in the case with risk are investigated.

Olav Bjerkholt and Yu Zhu:

LIVING CONDITIONS OF URBAN CHINESE HOUSEHOLDS AROUND 1990

Discussion Paper no. 87, 1993. 61 pages.

This paper presents selected information from the Urban Household Survey (UHS) conducted by the State Statistical Bureau of China for the two provinces Sichuan and Liaoning for 1986-90. The UHS is comprehensive survey of urban households from cities all over China, based on household records of income and outlays for the complete year in addition to socio-demographic background variables, quality of dwellings, inventory of durables, etc. The survey includes consumption and income data which allow comparison between the Chinese urban living standard and other countries, as well as assessment of the income inequality in the Chinese society. Through the survey data the after-effects of the Cultural Revolution can also be traced.

Rolf Aaberge:

THEORETICAL FOUNDATIONS OF LORENZ CURVE ORDERINGS

Discussion Paper no. 88, 1993. 42 pages.

This paper is concerned with distributions of income and the ordering of related Lorenz curves. By introducing appropriate preference relations over

the set of Lorenz curves two alternative theories for Lorenz curve orderings are proposed. Moreover, the Gini coefficient is recognized to be rationalizable under both theories. As a result, a complete axiomatization of the Gini coefficient is obtained. The paper also introduces various criteria of Lorenz dominance and examines their relationship to the welfare functions representing the proposed preference relations over Lorenz curves. The derived dominance results provide, as a special case, an alternative to Rawls (relative) leximin criterion as the most inequality averse criterion for judging between Lorenz curves.

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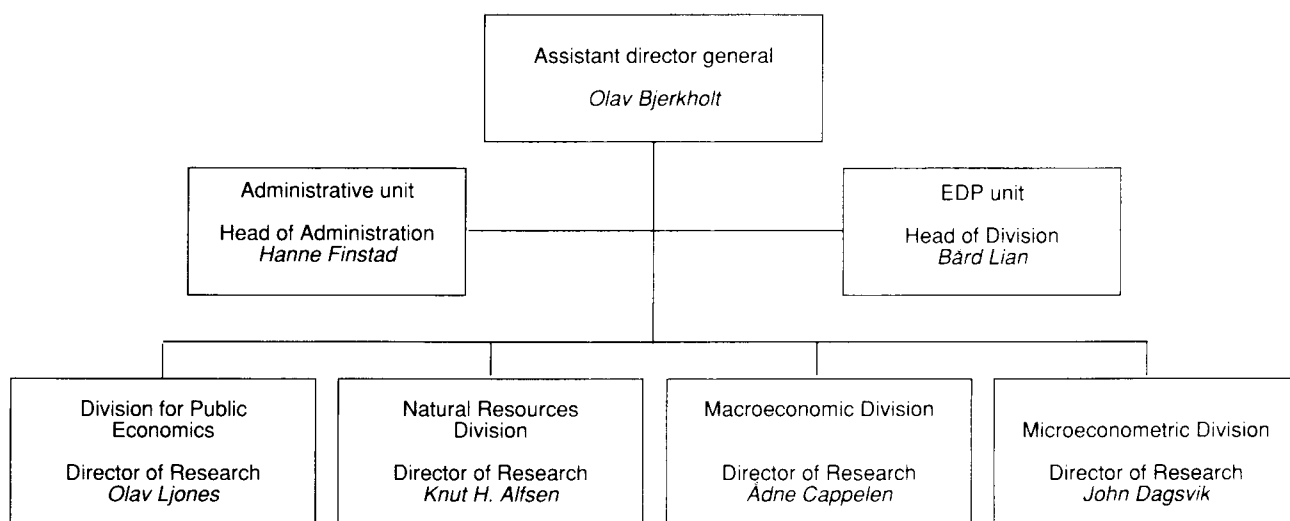
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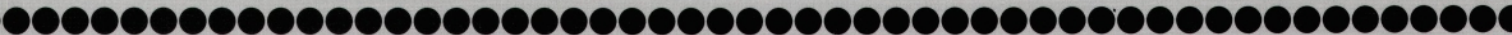
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
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