

Economic Survey



2/97

Economic trends

- National accounts for 1 quarter
- Overview of international and Norwegian economic developments
- Forecasts for the Norwegian economy for 1997 and 1998

Article

- The European economy towards 2000

Economic Survey

Volume 7

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Inquiries should be directed to Knut Moum, tel.: 22 86 48 20, e-mail: knm@ssb.no or Mette Rolland, tel.: 22 86 48 18, e-mail: mrd@ssb.no, telefax: 22 11 12 38. Economic Survey is available on internet at <http://www.ssb.no>

Economic Survey

Editorial board: Øystein Olsen (ed.), Iulie Aslaksen, Ann Lisbeth Brathaug, Helge Brunborg, Bodil M. Larsen, Kjersti-Gro Lindquist, Knut Astor Magnussen, Knut Moum and Knut Einar Rosendahl.

Editorial assistant: Wenche Drzwi, tel.: 22 86 49 74, telefax: 22 11 12 38. **Design:** Enzo Finger Design. **Print:** Falch Hurtigtrykk. **Editorial address:** Statistics Norway, Research Department, P.O. Box 8131 Dep., N-0033 Oslo. **Sales- and subscription service:** P.O. Box 8131 Dep., N-0033 Oslo, tel.: 22 86 44 80, telefax: 22 86 49 76.

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Economic trends*

The persistent cyclical upturn in the Norwegian economy seems to continue, even though the quarterly national accounts figures for the first quarter show lower growth than the average for last year. A vigorous rise in oil investment is contributing to a continued upswing, whereas the growth impetus from traditional merchandise exports appears to be weaker this year than in 1996. The levelling off of car purchases is curbing growth in household consumption in spite of the decline in interest rates the last two quarters.

Preliminary first-quarter figures indicate that employment is still growing briskly at a virtually unchanged pace, and measured as a share of the working-age population employment will reach an historically record level this year. The corollary to this is that unemployment appears to be falling faster than expected earlier. This indicates that wage impulses from conditions in the labour market may be somewhat stronger in the period ahead than in the last few years, even though the results of this year's wage settlement do not in isolation signal this development.

With the objective of a stable exchange rate, there is little leeway for using monetary policy to influence cyclical developments in Norway. This was clearly illustrated last year when Norges Bank for a period kept Norwegian interest rates at a slightly higher level than interest rates in the ECU area. This monetary policy contributed to an appreciation of the Norwegian krone against the ECU, although this has now largely been reversed. It thus appears that ex-

change rate movements will not contribute to reducing price inflation in Norway this year. On an annual basis inflation will probably be about 2.4 per cent, slightly higher than the level expected for our main trading partners. However, as a result of a further decline in electricity prices in the months ahead and the elimination of the inflationary impetus from the removal of VAT compensation on food from 1 July 1996, price inflation in the second half of this year will be slightly lower than among trading partners.

In order to ensure that price and wage inflation does not deviate too much from the level in trading partner countries in the next few years, it is necessary - in view of the objective of a stable exchange rate - to be willing to adapt fiscal policy to cyclical developments and engage in an active incomes policy. In view of the persistently large surpluses on the current account and government budgets, it may easily be tempting to attach less importance to this consideration. The size of the surpluses, however, is closely related to the high level of petroleum production, and thus does not indicate the existence of considerable idle resources domestically. In this situation a more restrictive monetary policy stance may appear as the simplest alternative for curbing an excessive, petroleum-financed upswing. A more contractionary monetary policy is difficult to conduct without an accompanying appreciation of the Norwegian krone. This will contribute to curbing the rise in prices, but also result in reduced output and employment in the tradeables sector.

Main indicators for the Norwegian economy

Growth from previous year. Per cent

	1993	1994	1995	1996	1997	1998
GDP	2.7	5.5	3.6	5.3	3.1	4.2
-mainland Norway	2.8	4.1	3.1	3.7	2.8	3.2
Consumption in households and non-profit organizations	2.2	4.0	2.7	4.7	2.5	2.6
Unemployment rate ¹⁾	6.5	5.9	5.4	4.9	4.2	4.0
Consumer price index	2.3	1.4	2.4	1.3	2.4	1.8

1) Level in per cent. Adjusted backwards for the statistical revision in January 1996.

* Translated from Økonomiske analyser no. 5/97 by Janet Aagenæs.

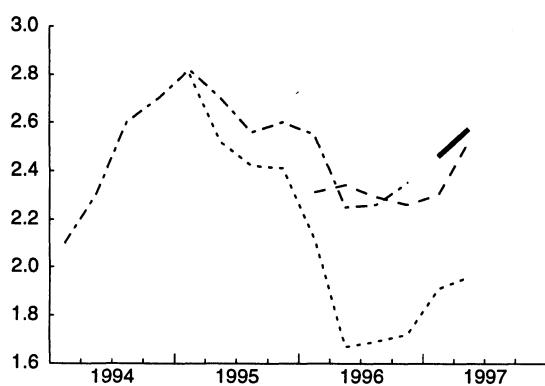
International economy

After 1996 began as a cyclically sluggish year for Norway's trading partners, growth rates picked up in the autumn, particularly in continental European countries. It now appears that a moderate upturn will be established this year and further into 1998. Anglo-Saxon industrial countries were in a more favourable cyclical phase last year, and GDP growth in the US and UK is now set to be noticeably higher this year than in 1996. Following a slump in Japan which persisted for several years, preliminary national accounts figures for 1996 show a vigorous rise in production. However, the growth rate will probably slow markedly this year as a result of fiscal tightening. For Norway's trading partners as a whole, GDP is likely to expand by 2.4 per cent this year, while growth will probably be slightly higher next year. Price inflation among trading partner countries is expected to remain moderate in the period ahead.

GDP in *Germany* expanded by 1.4 per cent from 1995 to 1996. Growth was primarily fuelled by higher net exports, probably reflecting the effect of the weakening of the trade-weighted exchange rate through 1995 and 1996. Growth picked up, however, through last year, and short-term data for this year point to a slightly higher level of activity in the period ahead. Industrial production rose by 0.5 per cent from the fourth quarter of 1996 to the first quarter of 1997, and new orders increased by 1.4 per cent in the same period. Foreign orders made the strongest contribution to this growth, and exports rose at a relatively brisk pace in January and February. GDP is expected to expand by a little more than 2 per cent in 1997. The rise in production is not expected to result in higher employment, and unemployment is likely to be more than 11 per cent in 1997.

Economic developments in *France* were also weak last year; preliminary estimates show a rise in GDP of 1.5 per

GDP-growth forecasts for Norway's main trading partners for 1995 - 1998 given on different dates



--- Forecasts for 1995 -.- Forecasts for 1997
 Forecasts for 1996 — Forecasts for 1998

Source: Consensus Forecasts.

Economic forecasts for Norway's main trading partners Annual per cent change

	1995	1996	1997	1998
USA				
GDP	2.0	2.4	3.2	2.5
Private consumption deflator	2.3	2.4	2.5	2.7
Short term interest rate (level)	5.9	5.4	5.6	5.9
General government budget deficit ¹⁾	-1.9	-1.4	-1.1	-1.1
Japan				
GDP	0.9	3.6	1.7	2.9
Private consumption deflator	-0.4	0.2	0.8	1.0
Short term interest rate (level)	1.2	0.5	0.7	1.0
General government budget deficit ¹⁾	-3.3	-4.3	-2.8	-1.4
Germany				
GDP	1.9	1.4	2.1	2.5
Private consumption deflator	1.9	1.7	1.8	1.8
Short term interest rate (level)	4.5	3.2	3.1	3.5
General government budget deficit ¹⁾	-3.5	-3.8	-3.0	-2.7
France				
GDP	2.2	1.5	2.1	2.6
Private consumption deflator	1.6	1.7	1.7	1.7
Short term interest rate (level)	6.5	3.9	3.4	3.6
General government budget deficit ¹⁾	-4.8	-4.1	-3.2	-2.9
United Kingdom				
GDP	2.4	2.4	3.0	2.7
Private consumption deflator	3.4	2.8	2.5	2.5
Short term interest rate (level)	6.7	6.0	6.3	6.8
General government budget deficit ¹⁾	-5.5	-4.4	-3.0	-2.0
Italy				
GDP	3.0	0.7	1.2	2.1
Private consumption deflator	5.7	4.3	2.8	2.9
Short term interest rate (level)	10.3	8.7	6.8	6.4
General government budget deficit ¹⁾	-7.1	-6.7	-3.5	-4.0
Sweden				
GDP	3.6	1.1	2.1	2.6
Private consumption deflator	2.4	1.3	1.8	2.2
Short term interest rate (level)	8.7	5.9	4.3	4.4
General government budget deficit ¹⁾	-7.9	-3.6	-2.0	-0.5
Denmark				
GDP	2.8	2.4	3.1	2.6
Private consumption deflator	2.1	2.1	2.3	2.6
Short term interest rate (level)	6.1	3.9	3.5	4.0
General government budget deficit ¹⁾	-1.7	-1.5	0.7	0.8
The Netherlands				
GDP	2.1	2.7	2.6	2.9
Private consumption deflator	2.0	1.9	2.2	2.3
Short term interest rate (level)	4.4	3.0	3.0	3.4
General government budget deficit ¹⁾	-3.5	-2.9	-2.2	-2.0
Memorandum items:				
GDP trading partners	2.4	2.0	2.4	2.7
CPI trading partners	2.1	1.9	2.0	2.1
Ecu interest rate	5.9	4.4	4.1	4.4

1) Per cent of GDP.

Sources: NIESR and calculations by Statistics Norway. National sources for Sweden and Denmark.

cent. Growth was primarily spurred by household consumption, which must be viewed in connection with the authorities' temporary policy stimulus for higher car purchases. After the measures were discontinued at the end of the third quarter 1996, private consumption has slackened and the consumer sentiment indicator points to continued pessimism among French consumers. Investment did not contribute to a rise in GDP in 1996, but the latest investment intentions survey points to a moderate rise in investment this year. The most important driving force in the economy since the second half of 1996 has been net exports, stimulated by a weaker trade-weighted franc, and the external sector is expected to contribute to a further expansion in economic activity this year. Against this background, GDP growth is set to be higher in 1997 than in 1996.

In *Italy*, preliminary national accounts figures show that GDP grew by 0.7 per cent last year, fuelled almost exclusively by net exports. The appreciation of the lira since mid-1995, however, has reduced the possibilities for a further impetus from net exports, and in 1997 domestic demand will probably make the strongest contribution to growth. Industrial output advanced by 1.3 per cent from the fourth quarter of 1996 to the first quarter of this year, and investment is expected to expand by about 1 per cent in 1997. Consumer optimism is currently at an historically low level, a factor which does not point to any substantial rise in household consumption. Real wage growth, however, is likely to be higher than in 1996 inasmuch as consumer price inflation appears to be lower than was expected at the time the current wage agreements were concluded. A very tight fiscal policy for 1997, with lower transfers from the public sector to households, will have the opposite effect. The forecasts therefore point to weak GDP growth this year of a little more than 1 per cent, while growth may reach about 2 per cent next year.

In the *UK*, GDP expanded by 2.4 per cent from 1995 to 1996, primarily underpinned by household consumption, whereas the contribution from net exports abated through the year as a result of the strong appreciation of the exchange rate. Preliminary national accounts figures show that the high rate of growth continued in the first quarter of 1997, with an increase of 1 per cent from the fourth quarter of 1996. Private consumption continued to provide the most important stimulus to growth, and this is expected to continue, partly as a result of stronger wage growth and improved household wealth. Unemployment is also declining, and is projected to fall below 7 per cent this year. A cyclical peak is expected to be passed in 1997, and the forecasts for 1998 point to a slowdown in the growth rate to about 2 3/4 per cent.

In *Sweden*, preliminary national accounts figures show that GDP grew by 1.1 per cent from 1995 to 1996, i.e. markedly lower than in the previous year. The growth rate picked up, however, through the year. In the first half of 1996 public and private consumption exhibited a sluggish trend, whereas net exports and private investment made a positive contribution. Later in the autumn, however, household

consumption edged up, stimulated by a considerable fall in interest rates through last year. The reduction in taxes on food and cars also contributed to the growth in consumption. High nominal pay increases combined with subdued inflation are expected to stimulate household consumption this year. Investment, which boosted growth in 1995, showed signs of slowing through 1996. This trend appears to continue this year, but private investment is expected to make a stronger contribution to growth as early as next year. The forecasts indicate a growth in GDP of about 2 per cent in 1997 and a further rise in 1998.

In *Denmark*, preliminary national accounts figures show that GDP expanded by 2.4 per cent from 1995 to 1996. The most important growth impetus was generated by domestic demand, whereas net exports had a dampening effect on economic activity. As a result of sharp real wage growth and falling unemployment, consumption is expected to continue to advance this year. Increasing capacity utilization and low interest rates are also expected to stimulate investment. With higher activity in the oil and gas sector, GDP growth may reach about 3 per cent in 1997. The expansion in private consumption is expected to continue into 1998 as a result of planned tax cuts. However, the forecasts point to a slightly weaker rise in private investment in addition to a stronger negative effect from net exports, indicating that the GDP growth rate will slow in 1998.

GDP in the *US* rose by 2.4 per cent from 1995 to 1996. Following a sharp rise in production in the fourth quarter of 1996, preliminary national accounts figures show that the growth rate picked up further in the first quarter of 1997, with GDP expanding by 5.8 per cent (s.a.a.r.). In 1996 household consumption and private investment, particularly in information technology equipment, were the main driving forces for the expansion in economic activity. Private consumption continued to rise in the first quarter, but stockbuilding also provided an important stimulus to growth. Short-term data available for April indicate a somewhat weaker trend in domestic demand in the second quarter. Private consumption is expected to be the main driving force in the US economy in the period ahead, partly as a result of higher real wages and an increase in the minimum wage. This is underpinned by the consumer sentiment indicator, which shows that households are very optimistic about the future. GDP may expand by a little more than 3 per cent this year, while the growth rate is expected to be slightly lower next year.

Preliminary national accounts figures for *Japan* show that output rose by 3.6 per cent last year. Most of the growth occurred in the first quarter, with a rise of 12.2 per cent (s.a.a.r.), primarily fuelled by public expenditure, especially investment. Private investment also made a positive contribution, particularly housing investment which is estimated to have expanded by more than 13 per cent from 1995. Towards the end of the year the rate of growth in household consumption also picked up, probably as a result of a planned increase in taxes. Available short-term data indicate that a moderate recovery is under way, but it is unlikely

that private domestic demand will be able to compensate for the absence of stimulus from the public sector when the large economic stimulus packages introduced by the authorities during the recession are scaled back. In addition, the tax rises included in the budget for the current fiscal year (began on 1 April), will curb growth in household consumption. However, a projected rise in net exports in the wake of a sharp depreciation of the yen through the two years to 1 May 1997 will have an expansionary effect on production. The forecasts indicate that GDP will increase by a good 1 1/2 per cent in 1997, whereas growth is expected to be slightly higher next year.

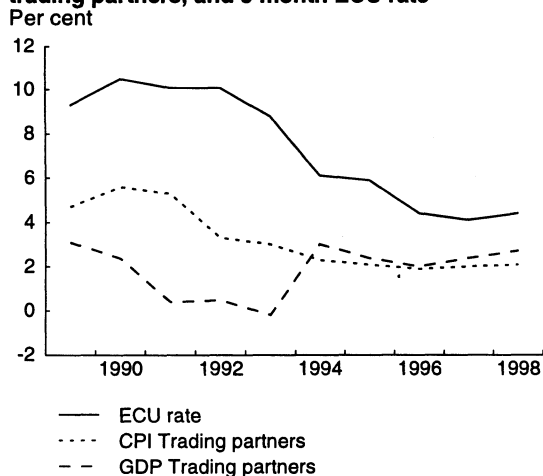
The forecasts indicate that *price inflation* among Norway's main trading partners will be 2 per cent in 1997, approximately on a par with the rate recorded last year. In European countries, the projections for consumer price inflation this year range between 1.5 and 2.5 per cent for most countries. Price inflation in Italy was high for a long time, but the year-on-year inflation rate fell substantially during 1996 and the beginning of 1997, down to 1.7 per cent in April. The inflation rate is expected to remain subdued through this year. One uncertain factor, however, is wage growth, which may pick up slightly following two years of declining real wages. In Sweden, the VAT rate of food was reduced from 21 to 12 per cent from 1 January 1996.

Lower interest rates and falling import prices as a result of a stronger krona contributed to a further drop in consumer prices, with the consumer price index showing a year-on-year decline at the end of 1996. In 1997, however, higher food and tobacco prices as well as higher rents have resulted in slight upward pressures on prices, entailing that the year-on-year rise was 0.2 per cent in April. As the effect of the stronger krona and substantial fall in interest rates wanes, the inflation rate will gradually increase. The forecasts therefore indicate that the consumer price index will show an average rise of about 1 1/2 per cent in 1997 and nearly 2 per cent next year. Inflation in the US still shows few signs of quickening. As a result of historically low unem-

ployment (4.9 per cent in April), many analysts feared higher wage growth. Data available for the first quarter of 1997 indicate, however, that total labour costs only rose by 3 per cent from the same period one year earlier. The year-on-year rise in the consumer price index stood at 2.5 per cent in April. Price inflation is expected to edge up this year as a result of the continued expansion in economic activity. Japan has recorded a period of falling prices, and the average rise in consumer prices was zero last year. The 2 percentage point increase in the consumption tax in April this year was the main reason for the year-on-year increase of 1.2 per cent in the consumer price index in April. An average inflation rate of about 1 1/4 per cent is expected this year, while inflation will probably be about 1 per cent next year.

As a result of lower economic activity in continental Europe, *monetary policy* gradually became more expansionary through 1996. In Germany, the central bank lowered both its discount rate (the "floor" for money market rates) and Lombard rate (the "ceiling") by half a percentage point in April 1996, to 2.5 and 4.5 per cent respectively. The repo rate (rate for repurchase agreements), however, was not reduced until August, from 3.3 to 3.0 per cent. The latest interest rate cut was implemented even though money supply growth exceeded the target range. However, money supply growth was slowing, inflation was low and the economic recovery was hesitant. In France, the central bank quickly followed suit, lowering its intervention rate by 0.2 percentage point to 3.35 per cent. France has continued its strategy of gradually lowering its official rates, most recently in January this year, to 3.10 per cent. Long-term rates have also fallen and are now below German rates. In Italy, the central bank's interest rates were unchanged from April 1995 to August 1996 when favourable inflation figures resulted in a reduction of 0.75 percentage point in the discount rate, to 8.25 per cent. Further reductions were made through 1996, and the discount rate was most recently lowered to 6.75 per cent in January 1997. Short-term market rates in Italy have declined by 4 3/4 percentage points since peaking in March 1995. The central bank in Sweden has cut its repo rate a number of times since the beginning of 1996, most recently to 4.10 per cent on 18 December. The interest-rate cuts must be viewed in connection with the central bank's inflation target (of 1-3 per cent) and the substantial decline in the inflation rate since the autumn of 1995. Money market rates in Sweden fell by about 4 1/4 percentage points last year. In the UK, base rates were reduced on four occasions (each by 0.25 percentage point) between December 1995 and June 1996, when the rate stood at 5.75 per cent. In conjunction with the rise in the inflation rate later in the autumn of 1996, however, the base rate was raised to 6 per cent at the end of October. Immediately after the change of Government on 1 May this year, the base rate was raised to 6.25 per cent. The authorities also gave the central bank virtual independence by transferring the responsibility for setting interest rates from the Minister of Finance to the central bank. Monetary policy, however, shall continue to be conducted on the basis of the Government-determined inflation target as previously

GDP and consumer price growth for Norway's main trading partners, and 3 month ECU rate



Source: Statistics Norway.

(price inflation shall not exceed 2.5 per cent). Even though nominal interest rates are now low in Europe, real interest rates (particularly long-term) are still at an historically high level as a result of low inflation.

The US federal funds rate (US interbank rate) was reduced most recently in January 1996 to 5.25 per cent. The expansion in economic activity prompted the Federal Reserve to raise the Federal funds rate to 5.5 per cent in March this year. Even though inflationary pressures remain moderate, interest rates are expected to rise further during the summer and autumn of this year. In Japan, the economic slump over the last few years has been met with gradual reductions in the discount rate, most recently to a record-low of 0.5 per cent in September 1995. The recovery last year was primarily fuelled by the authorities' economic stimulus measures, and the central bank is not expected to raise interest rates until the upturn in the private sector is firmly entrenched.

Fiscal policy in EU countries is largely focused on satisfying the convergence criteria in the Maastricht treaty, thereby paving the way for economic and monetary union. Sluggish economic trends the past year have made it more difficult than expected to satisfy the budget deficit requirement, and several countries have therefore tightened fiscal policy for the "year of examination" 1997. In Germany, preliminary figures show that the general government budget deficit in 1996 was equivalent to 3.8 per cent of GDP. Government finances thus deteriorated from 1995, reflecting lower tax revenues and higher social security payments as a result of rising unemployment. The Government's budget for 1997 contained a number of proposals to curb public spending, with a total reduction in expenditure of DM 66.5 billion, distributed as 25 billion on both the federal and local level and 16.5 billion on the social security budget. As a result of higher unemployment, and thus higher social security payments and lower tax receipts than expected when the budget was presented, additional measures are necessary to achieve a budget deficit of less than 3 per cent of GDP. The Government has therefore proposed that the country's gold reserves be revalued to market value (the book value has thus far been much lower) and that part of the revalued amount be transferred to the revenue side of the budget. The German central bank has expressed strong opposition to the proposal. In the absence of this measure, however, Germany will probably not be able to satisfy the Maastricht budget deficit criterion this year.

In France, the budget deficit in 1996 was equivalent to 4.1 per cent of GDP, or about half a percentage point higher than the Government's target. Fiscal policy has been tightened since the summer of 1995, both in the form of tax hikes and spending cuts. Further austerity measures were proposed in the budget for 1997, including higher social security taxes and an increase in petrol, tobacco and alcohol taxes. Pension funds have also been transferred from state enterprises that are to be privatized to the central government in order to increase budget revenues.

These one-off transfers are estimated to amount to about 0.5 per cent of GDP. Preliminary figures show, however, a slightly higher-than-expected deficit in the social security budget, and additional cuts are necessary. The victory of the left in the recent general election may make it difficult to achieve further tightening, and the forecasts indicate that France will record a general government deficit of a little more than 3 per cent of GDP in 1997.

Preliminary estimates show that the budget deficit in the UK was also reduced substantially in 1996 even though tax revenues were lower than expected. The budget for 1997 calls for government spending cuts of about £ 6.5 billion, and the budget deficit is expected to be reduced to 3 per cent of GDP this year. The UK, however, has an opt-out protocol regarding EMU participation, and even though the new Government is expected to be more favourably inclined towards the planned monetary union than its predecessor, the UK is not expected to be among the first countries to participate.

In Italy, preliminary figures show that the general government budget deficit in 1996 was equivalent to 6.7 per cent of GDP, considerably higher than budgeted. Part of the deficit, however, seems to be due to the acceleration of disbursements in order to reduce the deficit in 1997. The administration has proposed an ambitious budget for 1997 with tighter fiscal measures amounting to L 62.5 trillion. A supplementary budget was presented in March this year, which aims at further cuts of about L 15.5 trillion. If all the measures are implemented, the budget deficit is estimated at about 3 per cent of GDP. About two thirds of the tightening is expected to be reflected in lower spending, partly through cuts in transfers to the local authorities. The strengthening of the budget otherwise consists of higher government revenues in the form of a temporary "euro tax" and "accounting measures". Economic activity in Italy is, however, weaker than assumed in the budget proposals and there are many indications that the country will experience problems in satisfying the budget deficit criterion for participation in EMU. Another problem is that several of the austerity measures are of a temporary nature, entailing that the budget deficit in 1998 will probably increase if politically sensitive measures in the form of changes in pensions are not introduced.

In Sweden, the authorities have been tightening policy for several years, and this has contributed to a considerable improvement in government finances. The budget deficit is expected to shrink from 3.6 per cent of GDP in 1996 to 2 per cent in 1997. (Last year Sweden changed the timing for VAT payments, which entailed that revenues were SKr 8 billion lower in 1995 and SKr 13 billion higher in 1996. As a result of the change, the general government deficit in 1996 is now estimated at 2.5 per cent of GDP, although the effect of this change in timing is eliminated when figures are to be reported in conjunction with the Maastricht criteria.) Even though general government gross debt is still high (about 85 per cent of GDP in 1996),

this means that Sweden will probably be eligible to participate in the planned monetary union if it so desires.

As a result of higher-than-expected tax revenues, partly reflecting a pronounced rise in capital gains taxes, the federal budget deficit in the US for the 1996 fiscal year came to \$ 107 billion, or about 1.4 per cent of GDP. The Government's tax revenues are increasing in the wake of high economic activity, and the forecasts point to a further decline in the deficit during the current fiscal year. A recently concluded agreement between the Government and the Republican leaders in Congress aims at balancing the budget in the year 2002. Japan's budget balance has deteriorated substantially as a result of the many economic stimulus packages launched by the authorities during the protracted recession. The authorities have now started to tighten fiscal policy, partly through an increase in the consumption tax from 3 to 5 per cent on 1 April 1997 and the removal of the special income tax deduction introduced in 1994. However, further measures other than those already planned are probably necessary to prevent Japan's general government net debt (of about 13 per cent of GDP) from rising in the long run.

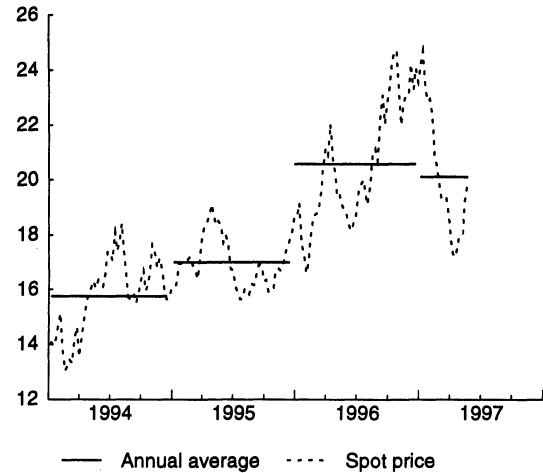
The oil market

The spot price of Brent Blend fell from a little less than \$ 25 p/b at the beginning of January this year to about \$ 17 p/b at the beginning of April. Following the pronounced decline in the first quarter, the price has again edged up and stood at a little more than \$ 19 p/b at the beginning of June.

The sharp fall in oil prices through the first three months of 1997 must be viewed in connection with several factors. In December 1996 Iraq resumed limited oil exports after having accepted the UN's terms. The agreement allowed Iraq to export oil for about \$ 2 billion over a period of six months, entailing daily exports of 0.6-0.8 million barrels. This production came on top of existing excess production in OPEC and led to a sharp rise in OPEC supplies in the first quarter of 1997. Since the winter of 1996/1997 was milder than expected, stocks were increased by 0.1 million b/d at a time when oil stocks are normally reduced.

At the beginning of May, however, the oil price rose to \$ 20 p/b, partly due to the strong demand for petrol in the US and interruption for maintenance in domestic refinery production. The need for imported petrol was therefore higher in the latter part of May. In addition, there were a greater number of buyers in the oil market for a short period, thereby pushing up prices. At the end of May, however, a number of refineries in Europe and Asia reduced production as a result of a decline in the refinery margin (difference between the price of crude oil and refined products), at the same time that several investment funds withdrew from the oil market. This contributed to a fall in prices to about \$ 19 p/b.

Spot price, Brent Blend
Dollar per barrel



Source: Petroleum Intelligence Weekly.

According to forecasts from the IEA, all of 1997 will be marked by a strong build-up of oil stocks, even in the fourth quarter. If OPEC maintains its level of production from the first quarter for the remainder of the year, oil stocks will increase by 2.6 million b/d in the second and third quarters, whereas the increase in the fourth quarter will be about half of this. The projected accumulation of oil stocks in the second half of 1997 is partly ascribable to expectations of higher production from the Norwegian and British continental shelf and partly to expectations that OPEC will maintain production at a high level. At the end of May OPEC production exceeded the organization's self-imposed quota of about 25 million b/d by around 2 million b/d.

OPEC will hold its next semi-annual meeting at the beginning of June. The quota problem is expected to receive considerable attention, but it is uncertain to what extent OPEC will do anything about the excess production. Iraq had exported oil for the equivalent of \$ 2 billion by 30 May this year, and the UN will announce before 9 June whether the country will be allowed to extend the export agreement to a new period. There is still some uncertainty about this issue since the US has expressed dissatisfaction with the fulfilment of some terms linked to the original agreement.

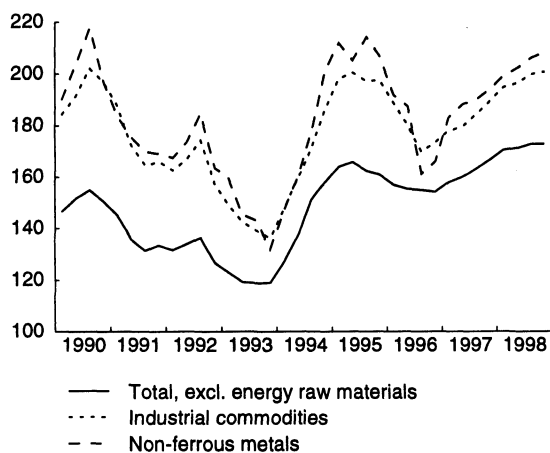
It is however, likely that OPEC will maintain its current quota system and that the UN will renew the agreement with Iraq. With slightly higher production in the North Sea and only a moderate increase in demand, downward pressures on oil prices can be expected through the second half of 1997.

Other commodity markets

After declining through the first part of 1996, commodity prices, excluding energy, levelled off towards the end of last year. In the first three months of 1997 prices have risen by about 5 per cent. This rise must partly be viewed in connection with some improvement in the cyclical situa-

Commodity prices on the world market

Dollar based indices. 1975 = 100



Source: HWWA-Institut für Wirtschaftsforschung.

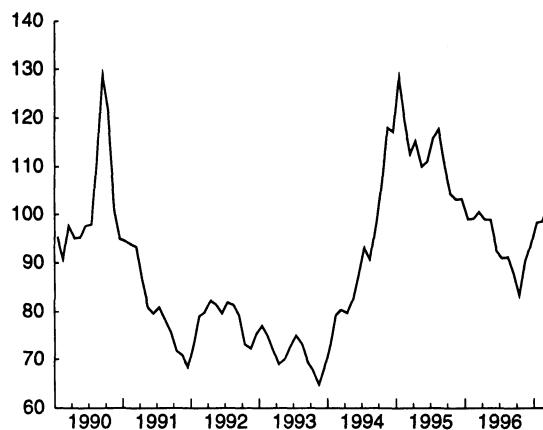
tion in Europe and stronger economic growth in the US. According to the AIECE, commodity prices will increase moderately through the remainder of 1997 and into 1998. The forecasts show a relatively strong rise in prices for metals as well as pulp and paper products.

Irregularities uncovered in the Japanese firm Sumitomo triggered a sharp drop in copper prices around mid-1996. Prices rebounded, however, towards the end of last year and in the first quarter of 1997 were only 6 per cent below the level in the same period of 1996. Increased consumption, particularly in Asia, is expected to result in a continued rise in copper prices, and the AIECE projects an increase of 7 per cent in both 1997 and 1998. Aluminium prices also rose sharply towards the end of 1996, primarily spurred by higher demand. Stocks have been reduced substantially and are now 50 per cent below the peak level of three years ago. The AIECE expects prices to climb further in the period ahead and projects an increase of 10 per cent in both 1997 and 1998. Weaker demand for steel products contributed to lower nickel prices through most of 1996. In December, prices were at their lowest level in two and a half years, but they have since been moving on a upward trend. Expectations of higher consumption both in western Europe and Asia this year are expected to boost prices further. The demand for tin rose slightly last year, whereas production expanded by 6 per cent. This resulted in a sluggish price trend, which according to the AIECE is expected to continue this year. Zinc prices remained fairly stable through 1996 inasmuch as supply shortages in the OECD area were compensated by higher production in China and eastern Europe. The price of zinc has risen considerably so far in 1997 and in March of this year reached its highest level in four and a half years. The AIECE expects a continued rise in prices through the remainder of 1997, followed by a levelling off in 1998.

Steel production declined slightly in 1996 after rising in the previous year. Output fell considerably in Europe and Japan, but increased in other parts of Asia. China replaced

Aluminium price

Dollar based index. 1979=100



Source: World Metal Statistics.

Japan as the world's largest steel producer. More moderate demand at the beginning of 1996 resulted in a fairly sluggish price trend. In the third quarter of 1996 steel prices bottomed out and prices drifted up in the fourth quarter. With the prospect of rising demand in both Europe and particularly in Asia, prices are likely to continue to rise moderately this year.

Prices of farm-based industrial commodities fell throughout 1996, posting a decline of 17.8 per cent between December 1995 and December 1996. This was particularly influenced by a 50 per cent drop in pulp prices in the course of just a few months at the start of the year. The decline must be viewed in conjunction with sizeable stocks and strong competition in the sector. In March this year, however, prices were about 8 per cent higher than the level in April 1996, and the AIECE projects a slight rise in prices through the second half of 1997. After declining considerably for a protracted period, prices for wood products troughed in the spring of last year. The upswing in the US and UK housing market is making a positive contribution to prices, while continued low building activity in Germany is having the opposite effect. The AIECE expects wood product prices to rise slightly in the latter half of 1997.

After rising in the period to May last year, food and beverage prices plummeted by nearly 18 per cent through the remainder of the year. This particularly reflects the downward pressures on prices as a result of a sharp increase in grain production. Wheat production, for example, rose both as a result of new land under cultivation and because harvests were higher than in the previous year. Prices for coarser grains largely shadowed movements in the wheat market. Based on the assumption that production will continue to expand, the AIECE projects a further decline in prices through 1997. Coffee prices dropped sharply between 1995 and 1996 as a result of expectations of higher production. The trend in prices has been reversed since the beginning of 1997 and coffee prices have surged by as much as 80 per cent so far this year. An important reason

for the rise is uncertainty surrounding this year's production in Brazil, particularly the fear that frost may ruin the crops, as well as rising consumption in producer countries. In addition, a harbour strike in Colombia earlier this year resulted in upward pressures on coffee prices. The international organization for coffee-producing countries recently held a meeting with the aim of stabilizing prices, but this may be difficult to achieve since coffee stocks are limited. Sugar prices edged down during the latter part of 1996, and the AIECE expects a weak trend for sugar prices, partly as a result of substantial stocks.

Norwegian economy

Developments thus far in 1997

According to preliminary, seasonally adjusted figures from the quarterly national accounts (QNA), mainland GDP fell by 0.5 per cent between the fourth quarter of 1996 and first quarter of this year. Growth in mainland demand also appears to have slowed somewhat in this period. Mainland output growth was primarily curbed by developments in manufacturing and mining, which posted a seasonally adjusted decline in gross output of 1.4 per cent. Production in other goods-producing industries edged up following a sharp decline through most of 1996. This performance mainly reflects developments in production in the power supply sector, which – as a result of less precipitation than normal – contributed to reducing mainland GDP growth by a good half a percentage point last year. Despite a further rise in petroleum production, total GDP fell slightly in the first quarter of 1997.

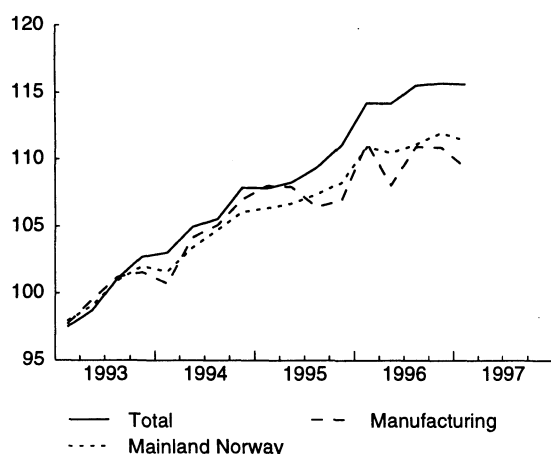
The decline in manufacturing output in the first quarter of 1997 is related to developments in traditional merchandise exports. The volume of these exports fell by nearly 2.5 per cent on a seasonally adjusted basis between the fourth quarter of 1996 and first quarter of this year. Exports of manufactured goods made a negative contribution, while exports of fish and fish products rose. However, Easter occurred in the first quarter of this year, and it is difficult to adjust fully for the variations in the occurrence of the Easter week when seasonally adjusting the figures. Preliminary export value figures for external trade in goods for the first four months of 1997 indicate that the first-quarter figures may be influenced by this, as the figures for April show a pronounced rise on the March level, which in turn was low compared with the level in January and February. Since export prices have probably shown little change after decli-

ning slightly between the fourth quarter of 1996 and first quarter of 1997, changes in export volumes so far this year probably do not deviate much from changes in the value of exports.

Traditional merchandise exports were boosted last year by the sharp growth in exports to countries in Asia and eastern Europe. This pattern has not been repeated this year. Even though exports to the US have continued to rise in 1997, and exports to Japan are increasing, this has so far not been sufficient to compensate for the sluggish trend in exports to Germany, Sweden and some other EU countries.

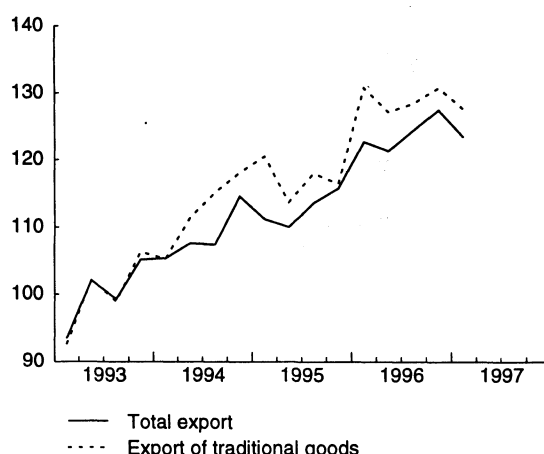
After expanding sharply through 1996, household consumption fell in the first quarter of 1997. The consumption of goods dropped in spite of a further rise in car purchases from the high level recorded in the fourth quarter of 1996. The sluggish trend in the consumption of goods in the first quarter may also be related to the timing of Easter this year. According to preliminary figures, the volume of retail sales in the period January-April 1997 was only moderately lower than in the fourth quarter of 1996. Figures for new car registrations from April and May on the other hand indicate a levelling off or slight seasonally adjusted decline in car purchases between the first and second quarter of 1997. The consumption of services also exhibited a sluggish trend in the first quarter of 1997, whereas direct purchases abroad by resident households increased. The brisk rise in household consumption through 1996 must be viewed in conjunction with the sharp growth in real wages and employment as well as the changes in car taxes from the beginning of 1996.

Gross domestic product
Seasonally adjusted volume indices, 1993=100



Source: Statistics Norway.

Exports
Seasonally adjusted volume indices, 1993=100



Source: Statistics Norway.

According to preliminary national accounts figures, there was no seasonally adjusted change in mainland fixed investment from the fourth quarter of 1996 to the first quarter of this year. However, investment declined appreciably in private service industries, excluding dwellings, and in goods-producing industries, excluding manufacturing. Manufacturing investment was also somewhat lower in the first quarter of 1997 than in the fourth quarter of 1996. Statistics Norway's investment intentions survey for the second quarter, however, may indicate a slight rise on an annual basis this year, and an approximately unchanged level of manufacturing investment next year. Investment in general government services appears to have risen markedly in the first quarter, which must be viewed in connection with

the implementation of the primary school reform, which requires extensive local government investment.

After declining during the previous five quarters, housing investment rebounded in the third quarter of 1996, and growth continued into the first quarter of this year. Figures for housing starts up to end-April point to a stronger rise in housing investment in the period ahead. The sharp rise in prices for existing dwellings indicates the same. According to Statistics Norway's price statistics, prices for existing dwellings increased in real terms by a good 7 per cent between 1995 and 1996. The square metre price for both co-operative dwellings and dwellings sold through estate agents, which during 1996 rose at a slightly faster pace than Statistics Norway's price index for existing dwellings,

Macroeconomic indicators¹⁾

Growth from previous period unless otherwise noted. Per cent

	1995	1996	Seasonally adjusted			
			96.2	96.3	96.4	97.1
Demand and output						
Consumption in households and non-profit organizations	2.7	4.7	0.1	1.6	1.1	-0.9
General government consumption	1.0	3.3	0.8	1.4	0.6	0.4
Gross fixed investment	3.7	4.8	1.1	4.3	2.1	2.5
- mainland Norway	12.9	6.6	0.9	2.3	1.7	-0.0
- petroleum activities	-13.8	-4.4	-1.5	3.8	-0.6	10.2
Final domestic demand from mainland Norway ²⁾	4.0	4.7	0.4	1.7	1.1	-0.4
Exports	3.6	10.0	-1.1	2.6	2.4	-3.2
- crude oil and natural gas	8.1	15.5	2.7	3.2	0.7	-0.5
- traditional goods	4.2	10.3	-2.7	1.0	1.7	-2.4
Imports	5.5	6.5	-2.2	6.2	3.3	-0.7
- traditional goods	9.4	9.3	-0.1	4.0	2.4	-1.5
Gross domestic product	3.6	5.3	-0.0	1.2	0.1	-0.1
- mainland Norway	3.1	3.7	-0.4	0.6	0.8	-0.5
Labour market						
Man-hours worked	1.2	2.0	-0.3	0.4	0.9	1.1
Employed persons	2.1	2.5	0.9	1.0	0.6	0.5
Labour force	1.6	2.1	0.4	1.2	-0.0	0.4
Unemployment rate, level ³⁾	5.4	4.9	4.8	4.9	4.4	4.3
Prices						
Consumer price index ⁴⁾	2.4	1.3	1.0	1.4	1.8	3.1
Export prices, traditional goods	7.1	-1.5	0.2	-0.9	2.1	-0.3
Import prices, traditional goods	0.7	0.4	-0.4	-0.9	0.9	-2.4
Balance of payment						
Current balance, bill. Nkr	31.3	72.7	17.9	18.3	17.2	22.3
Memorandum items (unadjusted, level)						
Eurokrone rate (3 month NIBOR)	5.4	4.8	4.7	4.9	4.4	3.4
Average borrowing rate ⁵⁾	7.7	7.1	7.2	7.0	6.8	6.3
Crude oil price, NK ⁶⁾	107.5	133.1	127.1	134.1	151.6	141.2
Importweighted krone exchange rate ⁷⁾	101.0	101.2	101.5	101.4	100.7	97.3
Norges Bank's Ecu-index ⁷⁾	103.6	102.5	102.6	102.6	101.6	97.6

1) Figures for 1995 may differ somewhat from previously published ones, due to the incorporation of new information.

2) Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in mainland Norway.

3) According to Statistics Norway's labour force survey (LFS). The 1995-figure is adjusted in accordance with the alternation of the LFS from the beginning of 1996, and is raised by 0.5 percentage points compared to forecasts published earlier.

4) Percentage change from previous year.

5) Households' borrowing rate in private financial institutions.

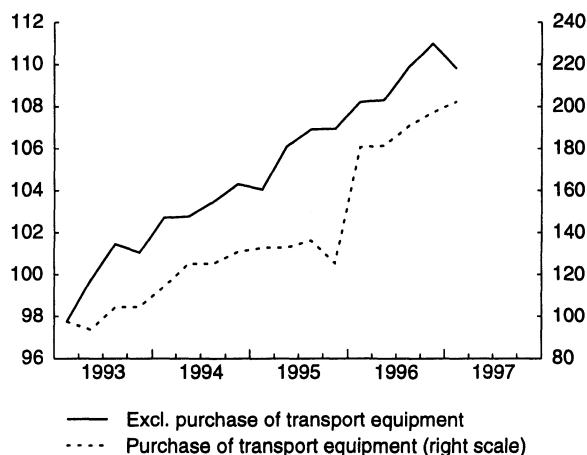
6) Average spot price, Brent Blend.

7) Increasing index implies depreciation.

Sources: Statistics Norway and Norges Bank.

Consumption in households

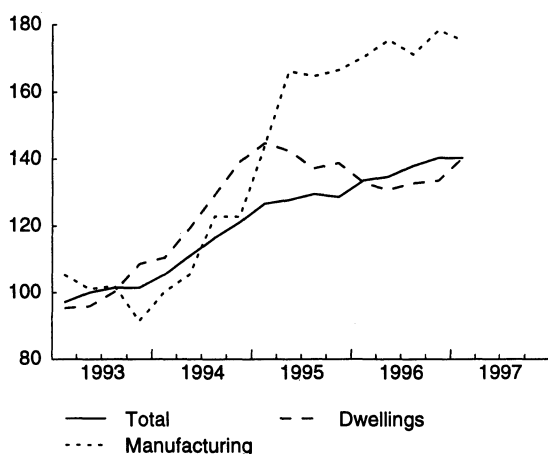
Seasonally adjusted volume indices, 1993=100



Source: Statistics Norway.

Gross fixed capital formation, mainland Norway

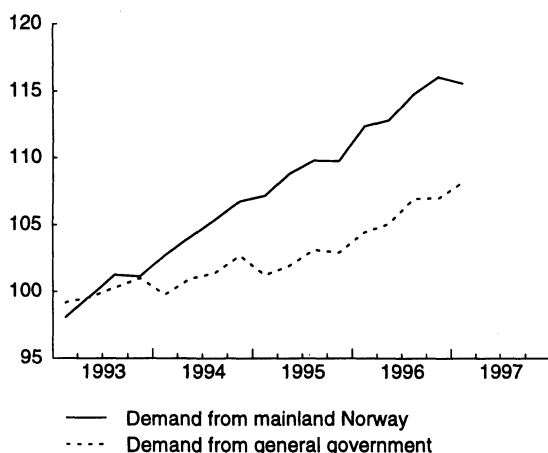
Seasonally adjusted volume indices, 1993=100



Source: Statistics Norway.

Demand from mainland Norway

Seasonally adjusted volume indices, 1993=100



Source: Statistics Norway.

showed a sharp rise in the first quarter of 1997. Adjusted for the general rise in prices, the two series were 9 and 12 per cent, respectively, higher in the first quarter of 1997 than their respective average for last year.

Petroleum investment showed a seasonally adjusted sharp rise in the first quarter of 1997 after declining through the previous three years. Estimates from Statistics Norway's investment intentions survey for the second quarter indicate that this demand component may expand by about 20 per cent in 1997. This represents a demand impetus for Norwegian and foreign suppliers equivalent to a good 1 per cent of mainland GDP. So far this year, however, there are no signs of this impetus in the production figures for the engineering industry.

Traditional merchandise imports fell in volume by a seasonally adjusted 1.5 per cent in the first quarter of this year after expanding continuously through the previous four years. Imports of cars and other motor vehicles made a negative contribution, while imports of engineering products edged up. Imports of ships and oil platforms declined slightly from the level in the fourth quarter of last year, but were still high compared with the average for 1996. Prices for traditional imported goods fell by nearly 2.5 per cent, seasonally adjusted, between the fourth quarter of 1996 and first quarter of 1997. In the same period the import-weighted exchange rate index for the Norwegian krone strengthened by about 3.4 per cent, while it weakened again through April and May.

According to preliminary national accounts figures, inventory investment was appreciably lower in the first quarter of 1997 than in the same period last year. In the national accounts, this investment is measured as the difference between supply and use, i.e. the difference between production and imports on the one hand and deliveries to product inputs, exports, consumption and investment on the other. Falling inventory investment may therefore be an indication that the national accounts figures underestimate production (or imports) or overestimate demand.

According to revised national accounts figures, the number of persons employed advanced by 2.5 per cent in 1996 after increasing by 2.1 and 1.3 per cent in the previous two years. Preliminary, seasonally adjusted figures from Statistics Norway's labour force survey (LFS) indicate that the brisk growth in the number employed continued into the first quarter of 1997. As a result of a revision of the survey at the beginning of 1996, however, there is considerably greater uncertainty concerning the interpretation of changes in employment figures. The labour force has also expanded sharply during the past three years, and here as well this rise seems to have continued in the first quarter. The growth in the labour force, however, is still lower than the growth in employment, and unemployment fell further from the fourth quarter of 1996 to the first quarter of this year. Adjusted for normal seasonal variations, the unemployment rate, according to the LFS, was 4.3 per cent in the first quarter, the lowest since the end of 1988 when ad-

justed for the statistical revision. The Directorate of Labour's figure for the sum of registered unemployed and persons participating in labour market programmes, excluding rehabilitation, has fallen markedly the last few years, and the decline continued in the period to end-May this year. The number of new vacancies at employment offices rose by nearly 12 per cent (seasonally adjusted) from the second half of 1996 to the period January-May 1997, after rising sharply through 1996. The total number of unfilled vacancies at employment offices has also risen substantially during this period. According to Statistics Norway's general business tendency survey, an increasing number of manufacturing enterprises have reported in the last few quarters that the supply of labour has a limiting effect on production. Seasonally adjusted and smoothed, the share in the first quarter of 1997 was nearly 10 per cent, weighted by employment weights, approximately the same as at the peak of the boom in the mid-1980s.

In the first four months of 1997 the consumer price index was an average 3.1 per cent higher than in the same period last year. The year-on-year rise moved up from 1.8 per cent in the fourth quarter of 1996 to 3.1 per cent in the first quarter of 1997, edging down to 2.6 per cent in April. The rise in electricity prices through the second half of 1996 and up to January this year, followed by a pronounced decline in April, is an important factor behind this performance. The fact that car taxes were raised on 1 January this year, whereas they were reduced at the same time last year, contributed to pushing up the year-on-year rate from January of this year. The relatively low rise in prices for imported consumer goods in the first quarter may have had the opposite effect. So far this year price inflation has been appreciably higher in Norway than in the ECU area and also higher than the average for our main trading partners. A further fall in electricity prices and the elimination of the effect of the removal of VAT compensation on food from 1 July 1996 will reduce the 12-month rise in consumer prices to below the level among trading partners in the second half of this year.

So far the results of this year's wage settlements indicate that wage growth will be lower in 1997 than in 1996. Based on profitability trends in manufacturing industry, it seems likely that wage drift for industrial workers may be slightly lower this year than in 1996 and that annual wage growth for industrial workers may thus be 3.5-4 per cent. Without a pronounced contribution from wage drift, it also appears that annual wage growth in the public sector will end up in the lower end of this interval. The results of some other settlements also appear to be within this same interval. Even though increases in the construction industry and for some salaried groups will boost the average, the total outcome is expected to be well below last year's wage growth of 4.5 per cent, measured per normal man-year.

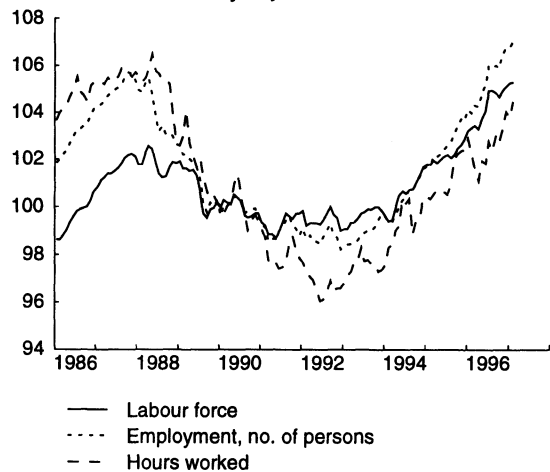
Through 1995 and 1996 the Norwegian krone appreciated against the ECU, and between October 1996 and up to 9 January this year the krone came under relatively strong ap-

Imports
Seasonally adjusted volume indices, 1993=100



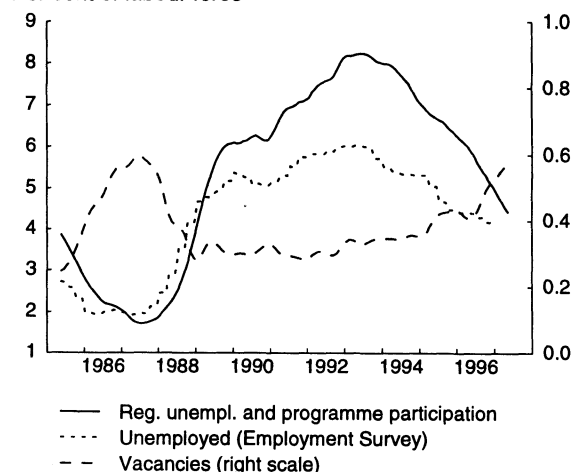
Source: Statistics Norway.

Labour force and employment
1990=100. Seasonally adjusted and smoothed



Source: Statistics Norway.

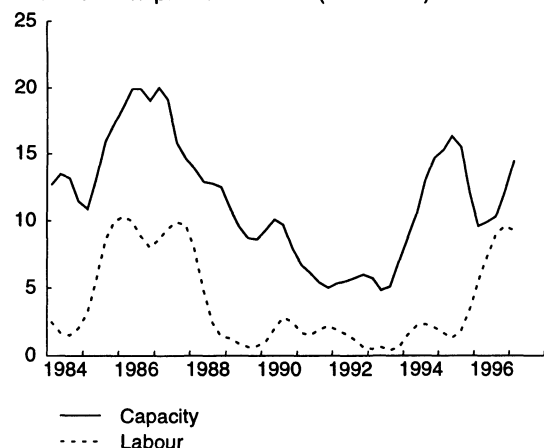
Unemployed and vacancies
Per cent of labour force



Sources: The Directorate of Labour and Statistics Norway.

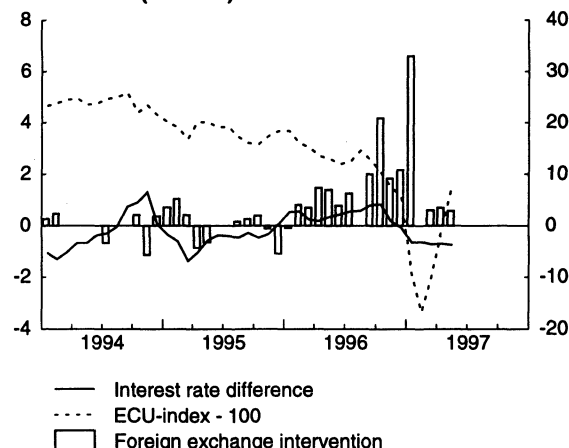
General business tendency survey

Factors limiting production in manufacturing
Share of enterprises. Per cent (smoothed)



Source: Statistics Norway.

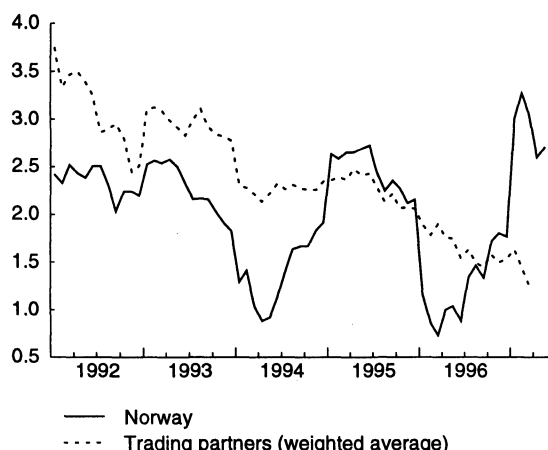
Interest rate difference and exchange rate against ECU and Norges Bank's foreign exchange intervention (bill.NKr)



Source: Norges Bank.

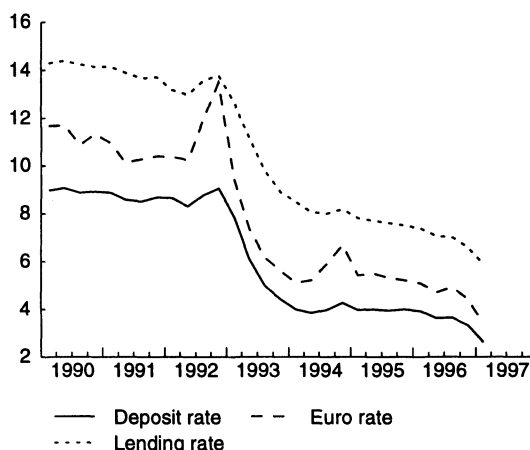
Consumer price indices

Measured from the same month the previous year



Source: Statistics Norway.

Average deposit and lending rate in private financial institutions and 3 month Nkr euro rate



Source: Norges Bank.

preciation pressures. The pressure began to subside after Norges Bank for the second time in two months lowered its key rates early in January 1997 and halted its exchange-market interventions to stabilize the krone. The krone appreciated slightly, however, up to the beginning of February, to a level about 6.6 per cent above the average for 1996. Since then the krone has again depreciated, both against the ECU and against an import-weighted basket of currencies of our main trading partners. At the beginning of June the rate of exchange between the Norwegian krone and the ECU was almost back to the average level for 1996. As a result of bilateral changes in other exchange rates, this entailed an import-weighted depreciation of the krone of about 0.8 per cent in relation to the average for last year.

Money market rates have been relatively stable following Norges Bank's interest rate reduction early in January. The 3-month rate has remained at about 3.4 per cent, 0.2-0.3

percentage point above the corresponding German rate and about 0.7 percentage point below the 3-month ECU rate. Financial institutions reacted fairly quickly to the change in interest rates, and at the end of the first quarter of 1997 the average rate for household loans from private financial institutions had fallen below 6 per cent, about 1.3 percentage points lower than the level one years earlier.

The surplus on the current account came to Nkr 22.3 billion in the first quarter of 1997, equivalent to 8.5 per cent of GDP, and nearly Nkr 3 billion higher than in the same period last year. The value of oil and gas exports was about Nkr 8.5 billion above the level in the first quarter of 1996, while the value of exports, excluding oil and gas, was a little more than Nkr 1 billion lower. Total imports grew by Nkr 2.7 billion, of which about half a billion is ascribable to higher electricity imports. The deficit on the interest and transfers balance rose by Nkr 1.7 billion in the year to the first quarter of 1997.

Outlook for 1997 and 1998

Even though the preliminary national accounts figures for the first quarter of 1997 point to a more moderate trend in demand and production than earlier, this is not a sign that the cyclical upturn is about to come to a halt. This is partly due to the petroleum sector, which will probably generate a stronger impetus to the Norwegian economy than assumed in our last Economic Survey in February. The mainland economy is therefore still expected to grow by about 3 per cent over the next two years, entailing that pressures in the labour market will increase.

The consequences of various assumptions concerning exchange rate movements were presented in our last report, see Economic Survey (ES) 1/97. There we outlined two alternative projections for the Norwegian economy in 1997 and 1998 based on two different exchange rate assumptions. It now seems most reasonable to apply scenario B presented in ES 1/97 where we assumed that the import-weighted krone exchange rate would return to the average level prevailing in 1996 in the second quarter of 1997. Norwegian money market rates are now down to a level which makes the central bank's defence of the exchange rate more credible than was the case in 1996 when for a long time it was kept above the ECU level.

The robust growth in the Norwegian economy over the past four years has contributed to the fear that price and wage inflation would accelerate. This has not occurred so far because the upturn started from an unusually low level of activity with low capacity utilization and high open and disguised unemployment. Rising price inflation the last six months was basically not a result of demand pressures, but largely reflected conditions on the supply side of the electricity market as well as changes in indirect taxes. Electricity prices are now falling. Along with the elimination of the effect of the removal of VAT compensation on food last summer, this will contribute to reducing the year-on-

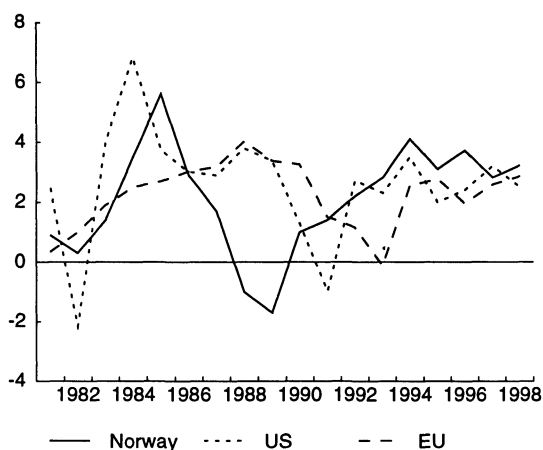
year rise in the consumer price index by nearly half through 1997, from 3.1 per cent in the first quarter. Nor does this year's wage settlement indicate upward pressures on costs. True, wage drift for some groups may increase, but for other groups profitability trends in the business sector imply more moderate local pay increases and bonus payments than in 1996. All in all, both the wage and price forecasts for 1997 are therefore the same as in scenario B in the last Economic Survey, which are also similar to the forecasts for 1997 which we presented in 1996.

Moderate growth in Europe in 1997, stronger in 1998

Whereas GDP growth among our Anglo-Saxon trading partners as well as Denmark has been relatively strong and will increase further in 1997, Sweden and large continental EU countries recorded sluggish economic trends in 1996. Even though the growth rate is now rising for these countries as well, and may reach around 2 per cent in 1997, growth is being hampered in several of these countries by attempts to reduce budget deficits in a situation with high unemployment. To what extent the tight fiscal policy in EU countries will succeed so that the criteria for EMU are satisfied in time is still unclear.

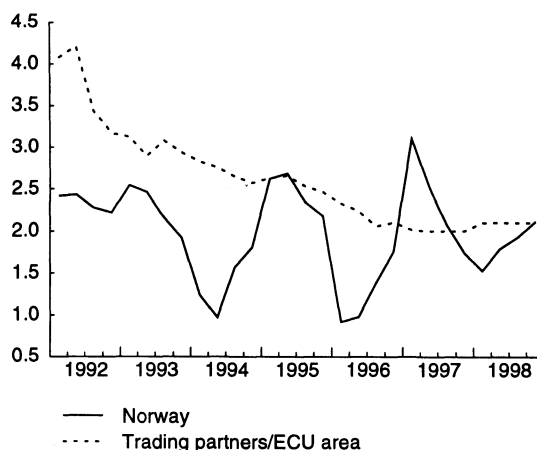
Uncertainties concerning the future EMU process entail that the estimates for movements in interest and exchange rates in the period ahead are very uncertain. Our projections, which incorporate a modest rise in short-term interest rates both in the US and Europe through 1997 and 1998, are based on an implicit assumption that EMU will materialize. With a moderate pick-up in economic growth in continental Europe, it will not be necessary to change interest rates to any extent. Interest rates have already been raised slightly in Anglo-Saxon countries, and we project an equivalent rise later in 1997. Based on the relatively modest growth and inflation outlook used as a basis for the

GDP for mainland Norway, US and EU 1981-98
Per cent change. Forecasts for 1997 and 1998



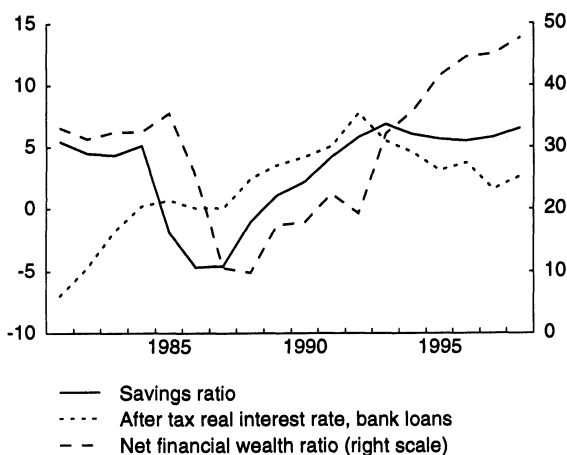
Sources: Statistics Norway, OECD and European Commission.

Consumer price indices
Percentage growth from same quarter previous year



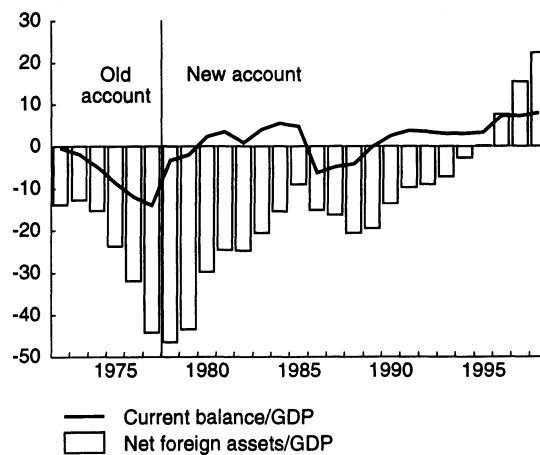
Sources: Statistics Norway, OECD and Eurostat.

Household financial indicators 1981-98
Per cent. Forecasts for 1997 and 1998



Source: Statistics Norway.

Current balance and foreign assets as per cent of GDP 1972 - 1998
Per cent. Forecasts for 1997 and 1998



Source: Statistics Norway.

projections, there are few indications of pronounced changes in monetary policy in the period ahead. The increase in GDP growth among our trading partners will thus stimulate Norwegian exports, while an increase in interest rates of about half a percentage point over the next 18 months is not likely to reduce domestic demand in Norway to any extent. The foreign sector as a whole will thus impart a stronger impetus in the period ahead.

Increasing growth impetus from petroleum activities

New estimates from oil companies show a further upward revision of petroleum investment compared with earlier estimates. In our last Economic Survey investment growth was projected at a good 15 per cent from 1996 to 1997, while the current estimate is a little less than 20 per cent. The growth projection for 1998, however, remains virtually unchanged, and shows a continued moderate rise on 1997. The largest upward adjustment of the estimates refers to import intensive components, but the estimates for investment based on Norwegian production have also been raised. Whereas total petroleum investment fell by about 5 per cent from 1995 to 1996, and thus contributed to moderating the sharp growth in the Norwegian economy, this investment will - according to revised estimates - generate a strong demand impetus in 1997, which will be maintained in 1998. This will result in increased pressures in offshore-oriented industries which have already signalled a shortage of qualified labour. Based on the current estimates, gross investment in 1998 will be approximately the same as the record level of 1993, measured in 1993 prices, after having fallen by a good 20 per cent from 1993 to 1996. Field investment in particular will show a sharp rise, and it is also this investment which has the greatest influence on activity in the Norwegian economy. Investment in pipeline transport will also expand by a substantial margin, but in this case the impetus is primarily focused on the foreign sector, thereby contributing to high imports.

Oil and gas production continues to expand. Gas production in particular is projected to rise sharply - as much as 13 per cent this year - while oil production is expected to increase by 5 per cent. In 1998, both gas and crude oil production are expected to grow by a good 8 per cent.

Crude oil prices have remained at a higher level so far in 1997 than assumed earlier. However, oil prices are still expected to fall in the period ahead to Nkr 119 p/b (\$ 17) in the second half of 1997 and remain at this level in 1998. For 1997 the average price will then be Nkr 128 p/b. This is slightly higher than assumed earlier and contributes to an increase in the estimates for the surplus on the current account and net lending in the general government sector.

Unchanged contribution to growth from fiscal policy

Revised national accounts figures for 1996 show that general government consumption expanded at a faster pace than assumed earlier. Much of the upward revision reflects new national accounts calculations for capital consumption, which does not have any direct effect on demand. However, the figures for employment and intermediate consumption in general government have also been revised upwards. Against this background, our current figures for growth in 1997, which are largely based on estimates in the Revised National Budget, entail that the contribution to growth from general government consumption will be about the same this year as in 1996. Slightly weaker growth is still projected for 1998. General government gross investment is expected to expand by about 4 per cent in both 1997 and 1998. No changes have been assumed for direct and indirect tax rates other than those already approved, with the exception of an inflation adjustment of nominal rates for 1998. This will contribute to reducing the 12-month rise in consumer prices in the period ahead since changes in indirect taxes pushed up the rate of increase in prices both last summer and at the beginning of this year.

Main economic indicators

Percentage change from previous year unless otherwise noted

	Accounts 1996	Forecasts					
		SN 1997	NB ¹⁾ 1997	MoF ²⁾ 1997	SN 1998	NB ¹⁾ 1998	MoF ²⁾ 1998
Demand and output							
Consumption in households and non-profit organizations	4.7	2.5	4	3.2	2.6	3 1/4	2.4
General government consumption	3.3	3.1	2 1/2	2.0	1.9	1 3/4	1.7
Gross fixed investment	4.8	5.6	8 1/2	8.2	4.6	3 3/4	1.9
-mainland Norway	6.6	5.1	5 1/2	5.8	4.8	4	1.9
-petroleum activities	-4.4	19.2	19	18.5	4.3	4	1.5
Demand from mainland Norway ³⁾	4.7	3.1	4	3.4	2.8	3	2.1
Stockbuilding ⁴⁾	-0.5	-0.4		-0.1	0.0		0.2
Exports							
- crude oil and natural gas	15.5	4.8	10	6.8	8.9	6 3/4	10.1
- traditional goods	10.3	3.8	6	4.0	5.1	5	5.5
Imports	6.5	4.4	8 1/4	5.2	3.0	4 3/4	4.5
- traditional goods	9.3	2.9	7 1/2	4.0	3.1	4	5.1
Gross domestic product	5.3	3.1	4 1/4	3.9	4.2	3 1/4	3.5
- mainland Norway	3.7	2.8	3 1/4	3.3	3.2	2 3/4	2.3
Labour market							
Employed persons	2.5	2.2	2	2	1.6	1 1/4	1
Unemployment rate (level)	4.9	4.2	4 1/2	4	4.0	4	4
Prices and wages							
Wages per standard man-year	4.4	3.8	4 1/2	3.5	3.6	5	
Consumer price index	1.3	2.4	2 3/4	2.5	1.8	2	
Export prices, traditional goods	-1.5	-0.8	-1/2	2.5	2.0	1/4	2.6
Import prices, traditional goods	0.4	-0.6	-1	0.5	0.4	0	1.2
Real price, dwellings	7.1	13.4			8.1		
Balance of payment							
Current balance (bill. Nkr)	72.7	77.3	76	81.3	88.4	81	92
Current balance (per cent of GDP)	7.1	7.2	7		7.9	7	
Memorandum items:							
Household savings ratio	5.5	5.8	4 3/4	4.7	6.5	4 1/4	5.0
Money market rate (level)	4.8	3.5			3.9		
Average borrowing rate (level) ⁵⁾	7.1	6.1			6.4		
Crude oil price Nkr (level) ⁶⁾	132	128	129	125	119	131	118
International market growth	2.7	6.3			5.9		
Importweighted krone exchange rate ⁷⁾	0.2	-0.6	-4 ⁸⁾		1.4		

1) NB: Forecasts according to Norges Bank, Penger og kreditt 1997/1.

2) MoF: Ministry of Finance's forecasts. Revised national budget 1997.

3) Consumption in households and non-profit organizations + general government consumption + gross fixed capital formation in mainland Norway.

4) Change in stockbuilding. Per cent of GDP.

5) Households' borrowing rate in private financial institutions.

6) Average, Norwegian oil production.

7) Increasing index implies depreciation.

8) Effective exchange rate, manufacturing.

Continued buoyant growth in output and domestic demand

In 1997 higher petroleum and housing investment will contribute to a continued high rate of growth in the mainland economy. Growth in household consumption and traditional exports, on the other hand, is expected to be lower than in 1996. The substantial increase in household purchases of cars was an important factor behind the growth in private consumption last year. Even though car purchases are projected to remain at a high level in 1997, these purchases are expected to show a slight decline on 1996. Traditional merchandise exports expanded moderately at the begin-

ning of 1997, but will probably exhibit faster growth through the projection period, fuelled by brisker output growth among Norway's trading partners. Combined with the sharp rise in petroleum investment in 1997, this will result in a stronger growth impetus for Norway's manufacturing industry in the period ahead. As a result of a continued sharp rise in oil and gas production, total GDP growth will be higher than growth in the mainland economy.

Business fixed investment in the mainland economy (excluding dwellings) is expected to show only marginal changes in the period ahead. Manufacturing investment,

which reached an historically high level in 1996, may edge up this year, but is expected to show little change in 1998. In service industries, the start-up of a number of major projects contributed to growth for some years, but only negligible changes are expected in both 1997 and 1998.

When evaluating changes in mainland GDP in the period 1996 to 1998, account should be taken of the extraordinary decline in the production and distribution of electricity through 1996. In isolation, this decline may have reduced the growth rate for the mainland economy by about half a percentage point from 1995 to 1996. It is assumed that the gross output of the power supply sector as a whole will return to the 1995 level in 1998, entailing that the growth rate for 1997 and 1998 will be slightly higher than changes in demand would normally imply. The decline in the underlying growth rate for mainland GDP from 1996 to 1997 is therefore somewhat greater than our growth projections indicate, an estimated 3/4 percentage point.

Revised figures now show a household saving ratio around 5 1/2 per cent in both 1995 and 1996. Our projections imply a slight increase in the household saving ratio in 1997, but as a result of the projected strong growth in housing investment in the period ahead, net lending will decline slightly. This must be viewed in connection with the assumption that household purchases of consumer durables in general and cars in particular will remain at a high level in both 1997 and 1998.

Strong employment growth and continued fall in unemployment

Figures from the labour force survey (LFS) show that employment has continued to expand sharply in 1997 and available information indicates that unemployment is declining at about the same pace as earlier. In some industries there is now a shortage of skilled labour. Based on the macroeconomic projections being presented in this Economic Survey, pressures in parts of the labour market will increase in the period ahead. In isolation, this will be reflected in higher wage drift. Employment is projected to grow by about 2 per cent in 1997 but at a lower rate in 1998. Unemployment appears to be declining at a somewhat faster pace in 1997 than was assumed earlier, and average LFS unemployment is estimated at about 4 per cent.

Falling inflation rate and rising real wage growth

Consumer price inflation was 3.1 per cent in the first quarter of 1997. The decline in electricity prices will contribute to reducing price inflation to about 2.5 per cent in the second quarter. As noted earlier, it is now assumed that the import-weighted exchange rate for the Norwegian krone will in the period ahead remain at about the same level as the average for 1996. With low inflation among our main trading partners, we therefore do not expect any significant changes in the inflationary impetus from abroad. The results of the wage settlement in the spring of 1997 were

approximately as envisaged, and wage growth in 1997 is now likely to be a good half a percentage point lower than in 1996, i.e. 3.8 per cent, which is identical to the estimate in scenario B in ES 1/97. Nor is it assumed that interest rates will change to any extent this year, entailing that the rate of increase in the rent component of the consumer price index will remain unchanged. Price inflation in the second half of 1997 will probably be reduced to less than 2 per cent, both as a result of lower electricity prices and of the indirect tax changes last year.

As noted earlier, unchanged indirect tax rates have been assumed for 1998. Due to increases in indirect taxes in January this year, the rate of inflation may decline further at the start of next year. Through 1998, however, the rate of increase in prices is expected to quicken to about 2 per cent towards the end of the year. It has been assumed that there will be no major changes in electricity prices as was the case in 1996 and 1997. With nominal wage growth in 1998 on a par with the estimate for 1997, real wage growth will increase to about 2 per cent in 1998. A moderate rise in prices for important Norwegian export goods entails that we will not witness a recurrence of the strong growth in manufacturing profitability from 1995. This is part of the explanation of the moderate rise in nominal wages. According to our calculations, a slower rise in consumer prices also contributes.

Substantial current-account surplus in spite of slightly lower oil prices

Even though the crude oil price is expected to fall later this summer, higher oil and gas production may to a large extent compensate for this when 1997 and 1998 are viewed together. Traditional exports are not expected to rise sharply and prices for Norwegian export products will increase at a moderate pace. Freight rates in the shipping sector, however, may edge up, partly as a result of the strong US dollar. Continued high growth in the Norwegian economy will result in an appreciable increase in imports also in the period ahead, but in this case approximately unchanged import prices will restrain the rise in the value of imports. Our calculations therefore indicate that the trade surplus will show little change in the period ahead, and will remain at about NKr 100 billion on an annual basis. The deficit on the interest and transfers balance will be reduced slightly as a result of the increase in Norway's net foreign assets. A stronger-than-expected rise in interest rates internationally will amplify this trend.

Norway: Trends in selected macroeconomic variables

At fixed 1993 prices. Billion NKr

	Unadjusted		Seasonally adjusted							
	1995	1996	95.2	95.3	95.4	96.1	96.2	96.3	96.4	97.1
Consumption in households and non-profit organizations	439745	460253	110050	110988	110678	113716	113857	115675	117005	116002
Goods	236636	250933	59178	59953	59133	62410	61849	62888	63787	62542
Services	200224	205460	49748	50215	50743	50963	51057	51443	51997	51740
Direct purchases abroad by resident households	17412	18384	4816	4315	4529	4157	4536	4891	4799	5167
- Direct purchases in Norway by non-resident households	-14528	-14524	-3692	-3496	-3727	-3813	-3585	-3546	-3579	-3447
Final consumption exp. of general government	184282	190313	45911	46288	46726	46890	47253	47937	48233	48423
Final consumption exp. of central government	74479	77587	18576	18701	18864	19091	19255	19570	19671	19801
Central government, civilian	53687	55914	13434	13495	13617	13684	13872	14115	14242	14372
Central government, defence	20792	21673	5142	5207	5247	5407	5383	5455	5429	5430
Final consumption exp. of local government	109803	112726	27335	27587	27862	27799	27998	28367	28562	28621
Gross fixed capital formation	182235	190998	45762	44106	46828	46114	46636	48622	49627	50882
Oil	45753	43752	10810	11377	12255	10871	10710	11121	11050	12175
Shipping	3146	5062	1713	-957	1126	491	868	1627	2076	2217
Mainland Norway	133336	142184	33240	33687	33447	34752	35057	35873	36501	36490
Manufacturing and mining	15823	17156	4099	4064	4108	4205	4330	4222	4400	4325
Production of other goods	11459	11290	2883	2773	2866	2872	2744	2763	2911	2635
General government	27689	29014	6886	7142	6593	7202	7166	7468	7178	7628
Dwellings	24544	23080	6205	5980	6050	5784	5698	5785	5813	6112
Other services	53821	61644	13167	13729	13829	14690	15119	15636	16199	15790
Stocks	27455	22872	7609	6489	7673	7302	5624	6025	3921	5957
Gross capital formation	209691	213870	53371	50596	54501	53416	52260	54647	53547	56840
Final domestic use of goods and services	833718	864437	209333	207871	211905	214022	213370	218260	218785	221265
Demand from mainland Norway	757363	792751	189201	190962	190852	195359	196167	199486	201739	200915
Exports	355919	391488	86893	89743	91443	96837	95782	98234	100635	97449
Traditional goods	131716	145246	31958	33166	32738	36717	35727	36086	36715	35853
Crude oil and natural gas	125818	145312	30133	30965	34487	34976	35930	37080	37327	37132
Ships and oil platforms	10888	8785	3001	3715	2133	2615	2078	1275	2817	1545
Services	87498	92145	21802	21897	22084	22529	22048	23793	23775	22919
Total use of goods and services	1189637	1255925	296225	297614	303348	310859	309152	316494	319420	318714
Imports	289675	308520	73011	72121	74426	75407	73782	78359	80972	80406
Traditional goods	197477	215786	49261	49876	50115	52637	52567	54644	55938	55073
Crude oil	1244	1176	382	328	185	214	219	226	517	331
Ships and oil platforms	13206	13925	2563	2423	5024	3732	2248	3612	4333	4122
Services	77748	77633	20804	19494	19102	18825	18748	19877	20183	20880
Gross domestic product (GDP)	899962	947405	223215	225493	228922	235452	235370	238134	238448	238307
Mainland Norway	746445	773844	185810	187001	188441	193138	192306	193460	194940	193914
Oil activities and shipping	153517	173561	37405	38493	40480	42314	43064	44675	43508	44394
Mainland industries	663381	683450	165251	165965	167326	170737	170250	170809	171654	171837
Manufacturing and mining	103209	106024	25942	25593	25708	26736	25974	26662	26653	26292
Production of other goods	74935	72466	18527	18950	19279	19209	18084	17472	17701	17747
General government	138192	141870	34370	34743	35034	34976	35324	35659	35910	35879
Private services	347045	363090	86412	86679	87306	89817	90868	91015	91390	91919
Correction items	83064	90394	20559	21036	21115	22401	22056	22651	23286	22077

Norway: Trends in selected macroeconomic variables

Percentage volume change in 1993-prices

	Unadjusted		Seasonally adjusted							
	1995	1996	95.2	95.3	95.4	96.1	96.2	96.3	96.4	97.1
Consumption in households and non-profit organizations	2.7	4.7	1.9	0.9	-0.3	2.7	0.1	1.6	1.1	-0.9
Goods	2.8	6.0	1.4	1.3	-1.4	5.5	-0.9	1.7	1.4	-2.0
Services	2.1	2.6	0.5	0.9	1.1	0.4	0.2	0.8	1.1	-0.5
Direct purchase abroad by resident households	0.8	5.6	28.3	-10.4	5.0	-8.2	9.1	7.8	-1.9	7.7
- Direct purchases in Norway by non-resident households	-6.9	-0.0	2.2	-5.3	6.6	2.3	-6.0	-1.1	0.9	-3.7
Final consumption exp. of general government	1.0	3.3	1.2	0.8	0.9	0.4	0.8	1.4	0.6	0.4
Final consumption exp. of central government	-0.2	4.2	1.3	0.7	0.9	1.2	0.9	1.6	0.5	0.7
Central government, civilian	0.5	4.1	2.2	0.4	0.9	0.5	1.4	1.8	0.9	0.9
Central government, defence	-1.9	4.2	-1.0	1.3	0.8	3.0	-0.5	1.3	-0.5	0.0
Final consumption exp. of local government	1.8	2.7	1.2	0.9	1.0	-0.2	0.7	1.3	0.7	0.2
Gross fixed capital formation	3.7	4.8	0.5	-3.6	6.2	-1.5	1.1	4.3	2.1	2.5
Oil	-13.8	-4.4	-4.4	5.2	7.7	-11.3	-1.5	3.8	-0.6	10.2
Shipping	-32.1	60.9	..	..	..	..	..	..	..	..
Mainland Norway	12.9	6.6	0.8	1.3	-0.7	3.9	0.9	2.3	1.7	-0.0
Manufacturing and mining	42.0	8.4	15.4	-0.9	1.1	2.3	3.0	-2.5	4.2	-1.7
Production of other goods	3.7	-1.5	-1.9	-3.8	3.4	0.2	-4.5	0.7	5.4	-9.5
General government	1.6	4.8	-2.6	3.7	-7.7	9.2	-0.5	4.2	-3.9	6.3
Dwellings	13.0	-6.0	-1.7	-3.6	1.2	-4.4	-1.5	1.5	0.5	5.1
Other services	14.6	14.5	0.6	4.3	0.7	6.2	2.9	3.4	3.6	-2.5
Stocks	100.2	-16.7	..	..	..	..	..	..	..	..
Gross capital formation	10.6	2.0	4.2	-5.2	7.7	-2.0	-2.2	4.6	-2.0	6.1
Final domestic use of goods and services	4.2	3.7	2.3	-0.7	1.9	1.0	-0.3	2.3	0.2	1.1
Demand from mainland Norway	4.0	4.7	1.5	0.9	-0.1	2.4	0.4	1.7	1.1	-0.4
Exports	3.6	10.0	-1.1	3.3	1.9	5.9	-1.1	2.6	2.4	-3.2
Traditional goods	4.2	10.3	-5.6	3.8	-1.3	12.2	-2.7	1.0	1.7	-2.4
Crude oil and natural gas	8.1	15.5	-0.3	2.8	11.4	1.4	2.7	3.2	0.7	-0.5
Ships and oil platforms	2.1	-19.3	..	..	..	..	..	..	..	..
Services	-2.8	5.3	0.4	0.4	0.9	2.0	-2.1	7.9	-0.1	-3.6
Total use of goods and services	4.0	5.6	1.3	0.5	1.9	2.5	-0.5	2.4	0.9	-0.2
Imports	5.5	6.5	4.1	-1.2	3.2	1.3	-2.2	6.2	3.3	-0.7
Traditional goods	9.4	9.3	2.2	1.2	0.5	5.0	-0.1	4.0	2.4	-1.5
Crude oil	32.0	-5.5	9.5	-14.1	-43.7	15.6	2.2	3.6	128.6	-35.9
Ships and oil platforms	7.0	5.4	..	..	..	..	..	..	..	..
Services	-3.6	-0.1	13.4	-6.3	-2.0	-1.4	-0.4	6.0	1.5	3.5
Gross domestic product (GDP)	3.6	5.3	0.4	1.0	1.5	2.9	-0.0	1.2	0.1	-0.1
Mainland Norway	3.1	3.7	0.3	0.6	0.8	2.5	-0.4	0.6	0.8	-0.5
Oil activities and shipping	5.9	13.1	0.7	2.9	5.2	4.5	1.8	3.7	-2.6	2.0
Mainland industries	2.8	3.0	0.2	0.4	0.8	2.0	-0.3	0.3	0.5	0.1
Manufacturing and mining	3.0	2.7	-0.1	-1.3	0.4	4.0	-2.8	2.7	-0.0	-1.4
Production of other goods	8.4	-3.3	1.9	2.3	1.7	-0.4	-5.9	-3.4	1.3	0.3
General government	1.8	2.7	1.0	1.1	0.8	-0.2	1.0	0.9	0.7	-0.1
Private services	1.9	4.6	-0.3	0.3	0.7	2.9	1.2	0.2	0.4	0.6
Correction items	5.9	8.8	1.0	2.3	0.4	6.1	-1.5	2.7	2.8	-5.2

Norway: Price indices for selected macroeconomic variables

1993 = 100

	Unadjusted		Seasonally adjusted							
	1995	1996	95.2	95.3	95.4	96.1	96.2	96.3	96.4	97.1
Consumption in households and non-profit organizations	104.0	105.2	103.5	104.1	104.7	103.8	105.1	105.7	106.3	107.8
General government consumption	106.3	109.7	105.8	106.5	107.0	109.1	109.6	109.6	110.7	111.3
Gross fixed capital formation	105.8	109.1	105.7	106.8	106.8	107.6	108.9	109.0	110.7	108.8
Mainland Norway	105.8	109.3	105.9	106.2	106.9	107.7	108.9	109.5	111.1	108.5
Final domestic use of goods and services	104.7	107.0	104.2	105.3	106.2	104.6	106.6	107.9	108.9	108.9
Demand from mainland Norway	104.9	107.0	104.5	105.1	105.7	105.7	106.9	107.3	108.2	108.8
Exports	99.3	105.4	100.4	97.9	98.6	101.4	104.2	105.3	110.4	109.2
Traditional merchandise exports	108.9	107.3	108.4	108.6	108.4	107.0	107.3	106.3	108.5	108.2
Total use of goods and services	103.1	106.5	103.1	103.1	103.9	103.6	105.9	107.1	109.4	109.0
Imports	102.7	103.7	102.2	102.4	102.9	103.2	103.9	103.1	104.7	102.9
Traditional merchandise imports	102.8	103.2	102.9	102.4	102.7	103.7	103.3	102.4	103.3	100.8
Gross domestic product	103.2	107.4	103.3	103.3	104.2	103.7	106.5	108.4	111.0	111.0
Mainland Norway	106.3	107.9	105.9	106.8	107.7	105.3	108.0	108.2	110.0	109.5

Norway: Price indices for selected macroeconomic variables

Percentage change from previous year

	Unadjusted		Seasonally adjusted							
	1995	1996	95.2	95.3	95.4	96.1	96.2	96.3	96.4	97.1
Consumption in household and non-profit organizations	2.8	1.1	-0.3	0.6	0.6	-0.9	1.3	0.6	0.5	1.4
General government consumption	3.9	3.3	-0.1	0.7	0.5	2.0	0.5	-0.0	1.0	0.6
Gross fixed capital formation	3.7	3.1	1.6	1.1	-0.0	0.7	1.2	0.1	1.5	-1.7
Mainland Norway	3.7	3.3	1.6	0.3	0.7	0.7	1.1	0.5	1.5	-2.4
Final domestic use of goods and services	3.0	2.2	0.9	1.1	0.8	-1.5	2.0	1.2	0.9	-0.1
Demand from mainland Norway	3.3	2.0	0.1	0.6	0.6	0.1	1.1	0.4	0.8	0.5
Exports	2.3	6.2	0.1	-2.5	0.7	2.9	2.7	1.1	4.8	-1.1
Traditional merchandise exports	7.1	-1.5	-1.6	0.3	-0.2	-1.3	0.2	-0.9	2.1	-0.3
Total use of goods and services	2.8	3.3	0.7	0.0	0.8	-0.3	2.2	1.2	2.1	-0.4
Imports	1.0	1.0	-1.1	0.2	0.5	0.3	0.7	-0.8	1.6	-1.7
Traditional merchandise imports	0.7	0.4	-0.2	-0.5	0.3	1.0	-0.4	-0.9	0.9	-2.4
Gross domestic product	3.4	4.1	1.3	-0.0	0.8	-0.5	2.7	1.8	2.4	0.0
Mainland Norway	4.5	1.5	1.0	0.9	0.8	-2.2	2.5	0.2	1.6	-0.4

Technical comments on the quarterly figures

Quarterly calculations: The calculations are made on a less detailed level than the calculations for the annual national accounts, and are based on more simplified procedures.

Base year and chain linking of the data: In the quarterly national accounts (QNA) all volume measures are currently calculated at constant 1993 prices using weights from that year. The choice of base year influences the constant-price figures and thus the annual rates of change in volume (growth rates). For the sake of comparison, all tables present growth rates with 1993 as the base year (common year of recalculation). The recalculation of prices is carried out at the sectoral level of the quarterly national accounts. Seasonal adjustment is based on revised QNA figures for the period 1988 Q1-1997 Q1.

Economic policy calendar 1997

February

5. Kværner is awarded a contract with Exxon, worth about Nkr 6.5 billion, to build the platform to be used on the field being developed near Sakhalin Island off eastern Russia.

6. The company Dolphin in Stavanger wins an 8-year contract from Statoil for exploration and production drilling. The contract, worth Nkr 2.2 billion, relates to the drilling rig "Borgland Dolphin", and in connection with the project the drilling rig will be rebuilt for about \$ 100 million.

7. Smedvig is to build a new fifth generation rig for Norsk Hydro and is also awarded a five-year contract for drilling with the rig. Smedvig will invest Nkr 1.8 billion, while the drilling contract is worth Nkr 2.2 billion

7. DSND Subsea signs a contract, worth Nkr 170 million, with Norsk Hydro in connection with the development of Oseberg East.

8. Smedvig extends a contract with Statoil signed in 1992 for five years. The contract, worth about Nkr 800 million, relates to all drilling activity on the three Statfjord fields.

13. The Petroleum Directorate presents its resource analysis showing that at the moment Norway has produced a third of its recoverable oil resources and that gas reserves are eleven times higher than the level produced to date. Total recoverable reserves are upgraded by 15 per cent since the last resource analysis two years ago. A higher rate of recovery from existing fields and expected new discoveries are the reason for the upgrading.

15. Kværner Kleven signs a contract, worth Nkr 170 million, with District Offshore for building an offshore vessel.

17. The IT company Hand-El Scandinavia of Halden shall along with a Swedish company supply a total solution for a planned electricity exchange in California. The contract is worth Nkr 140 million and the company has an option for additional deliveries.

18. The National Insurance Fund recorded a value-adjusted profit of about Nkr 9.5 billion in 1996, against Nkr 10.3 billion the previous year. The value-adjusted rate of return was 10.2 per cent, compared with 12.5 per cent the previous year.

21. Norges Bank resumes its foreign currency purchases for the Government Petroleum Fund. In the period to 10 January Norges Bank had purchased foreign currency for the equivalent of about Nkr 31 billion, while the surplus on the government budget is estimated at Nkr 55.4 billion. Foreign currency amounting to Nkr 24.4 billion thus remains to be purchased.

21. Statoil is the first Norwegian company to exceed Nkr 100 billion in turnover. The increase is primarily due to expanded production and a higher oil price.

25. Scandinavian Rock Group is awarded the contract to build the Oslo fjord tunnel. The company will dig the 7.5 kilometre underwater tunnel for Nkr 346 million.

26. The Dutch company CSM NV receives authorization from the Ministry of Industry and Trade to acquire the sugar division Malaco from Kraft Freia Marabou. CSM is paying Nkr 1.1 billion for Malaco, and the company will continue to base its activities in Norway.

March

4. Gammon Pte Ltd., in which Kværner holds a 50 per cent stake, wins a contract worth Nkr 400 million to build a housing complex in Singapore.

5. Maritime Hydraulics is awarded a contract, worth Nkr 180 million, to supply rig equipment in connection with the rebuilding of the drilling platform Borgland Dolphin.

6. ADtrans (previously Strømmen Verksted) is awarded a contract, worth Nkr 1 billion, to build sixteen tilting trains for the Norwegian State Railways.

8. Statoil's new marketing organization for Scandinavia, Statoil Marketing, selects Leo Burnett as its new advertising agency. The contract is worth Nkr 130 million.

11. Maritime Hydraulics wins a contract, worth Nkr 250 million, to supply rig equipment to Smedvig's rig "West Future II". The rig shall be delivered to the Japanese company Hitachi Zosen Corp.

13. Gammon Construction, in which Kværner has an ownership stake, is awarded a contract worth nearly Nkr 600 million to build a 39-storey office building in Hong Kong. Construction will begin immediately and shall be completed in January 1999.

15. Kværner signs a letter of intent in Indonesia for supplying a chemical and energy recycling plant. The contract is worth between Nkr 340 and 375 million.

17. The Norwegian Confederation of Trade Unions (LO) and the Confederation of Vocational Unions (YS) both reach agreement with the Confederation of Norwegian Business and Industry (NHO) concerning the wage settlement in the private sector for 1997. All employees are given a general hourly pay increase of 80 øre, and up to Nkr 1 extra is granted for some collective agreements. Local negotiations shall be conducted on the basis of the various

wage agreements so that any increases are based on each company's financial situation. The current agreement-based pension arrangement for early retirement is expanded to include those aged 63 from 1 October 1997 and those aged 62 from 1 March 1998.

18. Kværner is awarded the contract to build the production ship on the Jotun field, while Heerema Tønsberg wins the contract to build the wellhead platform. The contracts are worth Nkr 2 and 1.5 billion, respectively.

18. Kværner Construction in Florida signs three new contracts, worth Nkr 450 million, to build schools. The contracts relate to the construction of a new secondary school in Sun City for Nkr 190 million, the rebuilding of a school in Orlando for Nkr 190 million, and the construction of a new unit at the University of Central Florida for Nkr 70 million.

20. The Kværner Warnow shipyard in Germany wins a contract, worth Nkr 220 million, to build 5 new container ships for the British-Dutch shipping company P&O Nedlloyd.

21. Aker Maritime is awarded a contract by Norsk Hydro to build the deck for Oseberg D. The deck will be built at Aker Verdalen and will cost Nkr 1.6 billion. Aker Verdalen is also given a contract to build the steel jacket for the wellhead platform for Jotun. This is a subcontracting assignment for Heerema Tønsberg (see 18 March), worth between Nkr 250 and 300 million.

21. A commission headed by Gudmund Restad which is studying government budget reforms proposes that extra dividends from state-owned companies should no longer be used to finance the Storting's additional allocations in the government budget at the final spurt of budgetary deliberations.

25. Kværner and Statoil sign a contract for the development of the oil field Siri in the Danish sector of the North Sea. The contract is worth about Nkr 1.5 billion.

April

3. Santech Micro Group (SMG) wins a distribution contract for Telenor worth Nkr 180 million. The company will supply 12 800 PCs for home use for Statoil's employees.

5. Kværner Kleven in Ulsteinvik wins a contract, worth Nkr 170 million, to build another offshore vessel for District Offshore.

8. Aukra Industrier is awarded a contract to build a chemical tanker for Anders Utkilsens Rederi in Bergen. The contract is worth between Nkr 250 and 300 million.

9. Statoil is given five new operatorships on the British continental shelf in the 17th licensing round, while Saga Petroleum is awarded one operatorship.

15. Smedvig signs a letter of intent for oil drilling in Thailand with a scheduled start in January 1998. The contract covers a minimum two years and is worth Nkr 185 million for this period.

16. The US dollar costs more than Nkr 7 for the first time since 1994.

16. BP Norway starts drilling the first Norwegian deep-water well. The platform Ocean Alliance has 1270 metres of water below it in Nykhøgda southwest of Røst in Lofoten. Geologists are 80 per cent certain of finding gas and 25 per cent certain of finding commercial oil.

16. Aker Maritime buys the Finnish shipyard Mäntyluoto Works for building so-called "Spar" platforms for oil exploration in deep waters. The shipyard has 510 employees.

22. Norsk Hydro gives the go-ahead for the start of an extensive modernization of the carbon plants in Årdal. Investments will be made for maintenance and an upgrading of production equipment and costs are estimated at Nkr 500 million.

24. Statoil signs a letter of intent with Aker Engineering for deliveries in connection with the construction of the Åsgard B platform. The agreement is worth Nkr 480 million.

24. Kværner Govan shipyard in Scotland is awarded a contract worth Nkr 300 million by the company Toisa Ltd. for building two platform supply ships.

30. Norsk Hydro awards Kværner Installasjon a contract worth Nkr 400 million for modification and installation work on the Oseberg platform.

May

6. Petroleum Geo-Services signs a contract with Oil and Natural Gas Corporation of India for collecting, processing and interpreting seismic data off the coast of West India. The contract is worth \$ 50 million.

9. Leif Høegh & Co. buys out its British co-investor in the refrigerated ship sector and becomes a 50/50 partner with Safmarine of South Africa in the world's largest shipping company in the refrigerated ship sector, Unicoil. Leif Høegh & Co. is placing assets with a gross value of Nkr 1.75 billion in Unicoil.

9. The Standing Committee on Church, Education and Research in the Storting recommends a combined local and central government allocation of Nkr 1.34 billion for new school textbooks in connection with the school reform.

10. The Thorvald Klaveness Group, one of Norway's largest privately-owned shipping companies, acquires Andenæs Eiendom AS for between Nkr 250 and 300 million.

10. Landsbanken AS and Samvirke forsikring AS are given authorization by the Ministry of Finance to form the new

financial group Landsbanken-Samvirkegruppen AS. One third of the new company is owned by the Norwegian Confederation of Trade Unions (LO), one third by trade unions in LO and another third by Folksam and NKL. The new company will have total assets of more than Nkr 20 billion and 1200 employees.

12. 45 000 pigs are to be sold abroad at a low price to curb Norway's surplus production. In the past year production in Norway has risen by 8 per cent while demand has been reduced by 5 per cent. Norwegian farmers' income will be Nkr 100 million lower than planned.

13. Kværner Construction and Gammon Construction, in which Kværner has a 50 per cent stake, sign a contract to build a water reservoir for the authorities in Hong Kong. The contract is worth Nkr 270 million.

13. The Government presents the Revised National Budget for 1997. Mainland GDP growth is revised upwards by 0.75 percentage point to 3.25 per cent, compared with 3.7 per cent last year. The upward revision is ascribable to higher public demand and slightly higher investment in the private sector. The estimates for price and wage inflation from the final budget of 2.5 and 3.5 per cent, respectively, are unchanged.

16. The Norwegian Farmers' Union and the central government reach agreement on the income settlement. Farmers will receive an increase of Nkr 928 million for the agreement period 1997-1998. The increase will result in income growth of about 3.5 per cent, or Nkr 4 200 per man-year.

20. The central government and Kværner find a solution which will ensure continued operations for Kværner Kimek for at least another three years. During this period the mechanical engineering company will work on repairs and maintenance for the Navy to ensure ongoing operations. After three years the company is hoping for opportunities relating to planned oil and gas activities in the Barents Sea.

21. A commission headed by Eivind Smith will re-examine the banking crisis. The commission will study the causes of the crisis and the actions of the authorities, the banks and the banks' guarantee funds both prior to and during the crisis. The commission will also examine how similar crises were handled in other countries.

22. Through its subsidiary in the US, Eastern Energy, Statoil buys the company Blazer Energy for Nkr 4 billion. The aim of the acquisition is to gain a foothold in the US oil and gas market.

23. Kværner Kleven signs a contract, worth Nkr 350 million, with Thorm UK Ltd. to build anchor handling vessels.

27. A new wage agreement is concluded for central and local government employees. The agreement includes an early retirement system for persons aged 63 from 1 Octo-

ber 1997 and for persons aged 62 from 1 March 1998. All employees receive an annual pay increase of Nkr 2 500, while selected groups will receive up to an additional Nkr 900. State employees will have local negotiations concerning an additional Nkr 1 billion. For local government employees, about Nkr 380 million has been earmarked for local negotiations.

27. The International Council for Ocean Research recommends reduced herring quotas next year in order to replenish the stock. For Norwegian spring spawning herring, the Council recommends a maximum quota of Nkr 1.3 million tonnes for 1998, compared with this year's quota of 1.5 million tonnes.

29. A company owned 50/50 by Jebsen Skibsrederi and Compania Sud Americana de Vapores S.A. of Chile orders two freighters from Hyundai shipyard in South Korea. The contract is worth about Nkr 700 million.

29. Kværner Oil & Gas UK wins a contract worth Nkr 220 million for maintenance work on 5 platforms on the British shelf.

30. The shipping company Dyvi AS orders two freighters for cars. The ships are to be built in Croatia and will cost Nkr 250 million. The ships can each carry 4 300 cars and have a contract with Volkswagen for five years.

June

3. Norway and the EU reach an accord on a new agreement for exports of Norwegian salmon to the EU. The agreement will protect Norwegian exports against anti-dumping measures and subsidy complaints the next five years. In return, each salmon exporter must sign an individual agreement with the EU Commission. Those who refuse will be subject to punitive duties of 14 per cent. The price shall average Nkr 26.35 a kilo and only as an exception be below Nkr 22.40 a kilo. Norway is obligated to raise its export levy from 0.75 per cent to 3 per cent from 1 July this year. Norway's exports of salmon to the EU will not be permitted to increase by more than 11 per cent this year and 10 per cent each of the next four years. Export growth shall be calculated on the basis of last year's export volume of 220 000 tonnes. Norway can increase exports to other parts of the world on an unrestricted basis.

The European economy towards 2000

Knut A. Magnussen and Mette Rolland

The prospects for the European economy towards the turn of the century are rather bright although several challenges have to be tackled during this period. The EU has to make a decision regarding the EMU and the former centrally planned economies have to continue carrying the heavy burden of reform. The contractionary fiscal policy in the EU countries has contributed to a slowdown in production during the early 1990s. There are now signs, however, that a moderate economic upturn is underway, underpinned by increasing international trade in the wake of high growth in North America and many of the developing countries. The projections indicate moderate to strong growth in Europe through the forecast period, with the brightest prospects for some of the Central European countries and the smaller countries of the EU.

Introduction

Strong to moderate growth, low inflation, falling budget deficits - all underpinned by expanding international trade, structural reforms and sound monetary policy - is not an economic fantasy model, but how AIECE¹ and the Project LINK project the performance of the European economy towards the turn of the century.

The optimistic forecast is related to both external and internal developments. The increasing globalization of production, trade and capital movements, leads to a closer interaction between the different regions of the world. Economies in most of the developing world is expected to grow more than twice as fast as industrialized countries. The expansion of production is accompanied by increasing international trade which provides a positive environment for growth in Europe.

During the forecast period the EU-countries will come to a decision regarding the EMU. At present there is still some uncertainty as to whether the monetary union will commence on 1 January 1999 as well as to which countries will participate from the start. The contractionary fiscal policy conducted by all the candidates puts a downward strain on growth by dampening domestic demand. When

¹ AIECE is an organization of independent European forecasting institutes, issuing macroeconomic short term projections every half year and medium-term forecasts annually.

Project LINK is an international economic research network of more than 50 country teams, coordinated by the United Nations Department for Economic and Social Information and Policy Analysis (DESIPA). The forecasts for the world economy are based on model simulations. Each of the country teams participate with a macroeconomic model for their national economy. The models are then simulated simultaneously to incorporate the effect that one country's export is another country's import. This makes the projections more consistent than when the national teams simulate their models separately.

Knut A. Magnussen, research fellow at Division for macroeconomics. E-mail: kam@ssb.no
Mette Rolland, research economist at Division for macroeconomics. E-mail: mrd@ssb.no

the EMU decision is settled this may possibly lead to an easing of the imminent pressure on fiscal policies and thereby have a stimulating effect on growth in the last part of the projection period. A convergence of the interest rates will follow when EMU is realized and the countries with high interest rates at present will likely benefit from a reduction through an expansionary effect on investments. Currency market turbulence during the time of decision cannot be ruled out, however. This instability will most likely have a negative effect on growth through the increased uncertainty among economic agents.

The former centrally planned economies in Central and Eastern Europe are in the eighth year of political and economic transformation and much of the initial optimism has evaporated. One has realized that the stabilization process will be more protracted and multifaceted than initially believed. The situation is especially difficult in the republics of the former Soviet Union where macroeconomic and political stability is far from being achieved. In many of the countries of Central Europe recovery is well under way, however, and the medium-term outlook is bright, even if several challenges still have to be tackled.

The rather optimistic view of medium-term economic prospects for Europe is tempered by recognition that unemployment is likely to remain a major problem in the EU countries as well as in many of the transition economies of Central Europe.

External environment

World economic conditions remain generally encouraging, and the global economic expansion is expected to continue over the medium term. The growth in total world output will accelerate from around 3 per cent in 1997 to an average of about 3 1/2 per cent from 1998 to 2000 according to projections from Project LINK in March this year. Economies in most of the developing world will continue to grow more than twice as fast as industrialized economies. The solid growth is matched by increased trade between countries. Spurred by intra-industry trade, liberalization in the wake of the Uruguay-round and the growing impact of

Figure 1. North America and Japan. GDP-growth rates



Source: Project LINK

regional agreements, world trade is expected to grow by 6-7 per cent annually towards the turn of the century. The trade volume is expanding most rapidly in the developing countries.

Industrial countries outside Europe²

In North America the outlook is rather bright. The US is now in its sixth year with moderate to high growth with price inflation still at a subdued level. According to the Project LINK this will continue towards the turn of the century. GDP is expected to expand by 2.6 per cent this year before slowing down to an annual «cruising speed» of 2.2 per cent the next three years. These projections were made before the first quarter figures for 1997 were published, however, and it is likely that the growth rate for this year will be adjusted upwards. The private consumption deflator is projected to inch up gradually from 2.3 per cent in 1997 to 2.7 per cent at the end of the forecast period. The increase is expected in spite of the tighter monetary policy conducted lately. The Federal funds rate was raised by 0.25 percentage point in March 1997 and further interest rate increases cannot be ruled out. In Canada the stagnation seems to be over and the growth rates are expected to exceed potential growth from 1997 through 2000 at above 3 1/2 per cent per year, mainly due to expansionary mone-

tary policy. There is no appreciable increase in the inflation rate in sight

The Japanese GDP expanded by 3.6 per cent in 1996, after four years of anaemic growth at or below 1 per cent. The surge in activity is seen as temporary, however, mainly due to a scale back of the large economic stimulus packages launched by the authorities during the protracted recession. In 1997 GDP will only expand by around 1 1/2 per cent according to the Project LINK, while the growth rate is expected to increase to an annual 2.5 - 3 per cent towards 2000. Inflationary pressures have been very weak in Japan during the last years. This situation is expected to change with the revival of the economy. The inflation rate will nevertheless not exceed 2 per cent during the forecast period.

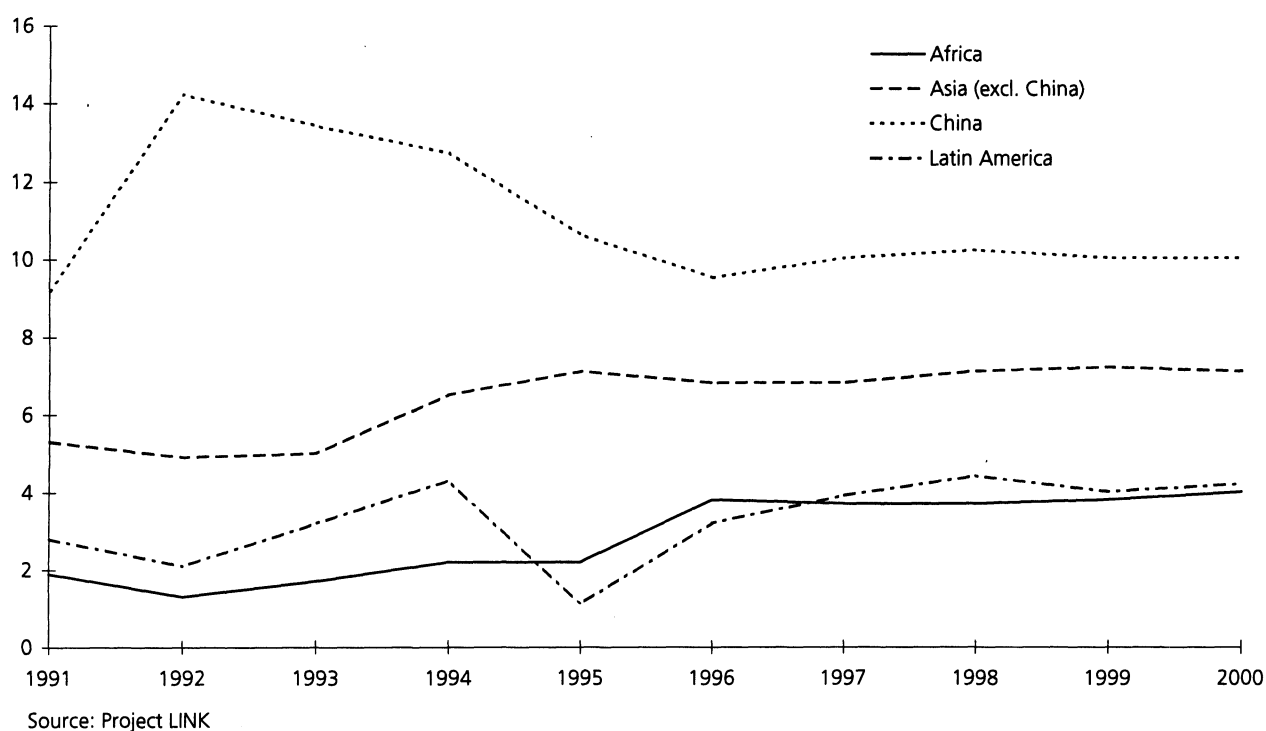
Developing countries

Asia continued to be the fastest growing region among the developing countries in 1996, despite the export slowdown experienced by many countries. Regional disparities continued to widen, however, with the newly industrialized economies (NIEs) growing at a rate of 6 per cent, South Asia growing at 6.5 per cent while South-East Asia grew at 7.5 per cent.³ China initiated an austerity program three years

² The IMF has recently redefined Hong Kong, Israel, Singapore, South Korea and Taiwan from developing countries to industrial countries. Here, however, we have chosen to discuss the five countries under the geographical area to which they belong.

³ NIEs: Hong Kong, South Korea, Singapore, Taiwan
South-East Asia: Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Vietnam
South Asia: Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka, Pakistan

Figure 2. Developing countries. GDP-growth rates



ago to prevent overheating and succeeded rather well last year with growth of 9.7 per cent and a deceleration of the inflation rate to 6 per cent.

The most important growth engine of the region up until now has been exports. One likely cause of the weaker export performance last year is Asia's dependence on trade in electronic equipment (e.g. semiconductors) which slowed sharply last year after strong growth in 1995. In addition, countries that peg their currencies to the dollar, such as Singapore and Hong Kong, have lost competitiveness in Japan and western European countries as the dollar has strengthened.

These factors behind the slowdown in GDP growth rates are mainly cyclical and it is expected that growth will accelerate again this year and be close to 7 per cent per year for the Asian region (excluding China) towards the turn of the century. In China GDP is likely to expand faster, at an annual rate of between 9 and 10 per cent the next four years. The slower growth rate in the Asian region led to lower inflation last year, and the projections point towards inflation in the range of 6 - 7 per cent through the forecast period.

There are downside risks to these forecasts. Even if the present slowdown in Asia is regarded as mainly cyclical, it has revealed structural problems. Among these is an overheated property market which is exposing strains in Asia's underdeveloped financial systems, most conspicuously seen in Thailand and South Korea. Property and banking problems may spread to other countries such as Malaysia, Indonesia and the Philippines as well. Analysts reject the

notion that Asia is headed for severe Japanese-style deflation since the economies are not stagnating. However, the composition of internal demand has changed in a number of Asian countries in recent years. In the early nineties the contribution of investments to overall growth surpassed that of consumption. This has been reversed and a larger appetite for imported consumer goods will dampen the growth impetus from net exports as well as weaken the potential for future expansion, as experienced by other more «mature» economies. Despite its recent success in reining in the galloping economy, China still faces formidable challenges. Among the pressing problems are the need to restructure loss-making state-owned enterprises, high unemployment, infrastructure bottlenecks and environmental degradation.

The dominant feature of the economic development in *Latin America* in 1996 was the re-emergence of modest growth accompanied by price stability that characterized the region during the 1990s until the Mexican financial crisis erupted at the end of 1994. The average growth rate in GDP for the region as a whole is estimated at 3.4 per cent. Average inflation dropped below 20 per cent and in more than half the countries price rises were at or near single-digit levels.

The Project LINK's forecasts point to an annual growth rate for the region of 4 per cent in the forecast period 1997-2000 and inflation is expected to moderate further. Among the countries that most likely will grow fast are Chile at above 5.5 per cent per year for the whole period and

Argentina, Brazil and Mexico with projected growth rates of 4.5 - 5 per cent.

The rather optimistic view must be seen in connection with the recent change in the pattern of capital flows to the region. In the early 1990s the vast majority of foreign capital was portfolio investment. The turmoil in the financial markets following the Mexican crisis illustrated the vulnerable position of countries with large portfolio investment. After little inflow of capital in 1995 the amount of autonomous capital inflows more than doubled last year and reached 50 billion US dollars, of which 30.8 billion were foreign direct investment. This reflects the macroeconomic policy being implemented in many Latin American countries to encourage long-term capital flows and thereby prepare for stability and growth.

In 1996 Africa registered growth above 4 per cent and this was the second consecutive year with positive growth per capita since the early 1980s. The situation was particularly encouraging in many of the CFA franc zone countries, as well as in Ghana, Kenya and particularly in Malawi and Uganda. In South Africa, economic policies have begun to set the stage for a gradual strengthening of growth performance although unemployment will be a severe problem for some time.

According to Project LINK the region as a whole will expand by an average of 3.8 per cent per year to 2000 with the countries in the north expected to grow slightly faster than the Sub-Saharan region. The rather positive development last year was to a large extent due to favourable weather conditions which boosted agricultural production. Africa is very dependent on external factors, in particular developments in the industrial countries. As opposed to the other regions of developing countries intraregional trade is virtually non-existent and the trade pattern from the colonial days has been maintained.

The increasing globalization of production, trade and capital movements, leads to an economic system where the different regions of the world are more and more interwoven. The current main driving force for the continental EU countries is export growth. The depreciation of several European currencies vis-à-vis the US dollar and the strong US growth has contributed to the emerging upturn, but the main impetus has been the firm increase in demand from developing countries as well as intraregional exports to the Central European countries. The continued expansion of Asian and Latin American countries forecast by the Project LINK provides a positive environment for growth in Europe.

EU-countries

The overall outlook for the EU-area towards 2000 is rather optimistic for most of the member countries. Moderate to strong growth rates are expected, with the brightest prospects for some of the smaller countries, see table 1. While fiscal consolidation directed by the Maastricht criteria is

Table 1. GDP and inflation outlook for EU-countries¹. Average annual growth rates for the period 1996-2000

	GDP/GNP		Inflation	
	AIECE	LINK	AIECE	LINK
Austria	1.9	1.9	1.8	2.2
Belgium	..	2.7*	..	1.3
Denmark	..	2.3	..	2.1
Finland	3.9	3.6	1.9	2.2
France	2.2	2.7	1.9	1.6
Germany	2.3	2.3*	1.7	1.3
Greece	..	3.4*	..	5.2
Ireland	5.5	4.1*	1.9	2.9
Italy	2.0	1.9*	2.9	3.2
Netherlands	..	2.9*	..	2.0
Portugal	..	2.3	..	2.7
Spain	..	2.6	..	3.5
Sweden	..	2.4	..	2.4
United Kingdom	2.4	2.8	2.6	2.4

¹ Luxembourg is not included.

* indicates GNP.

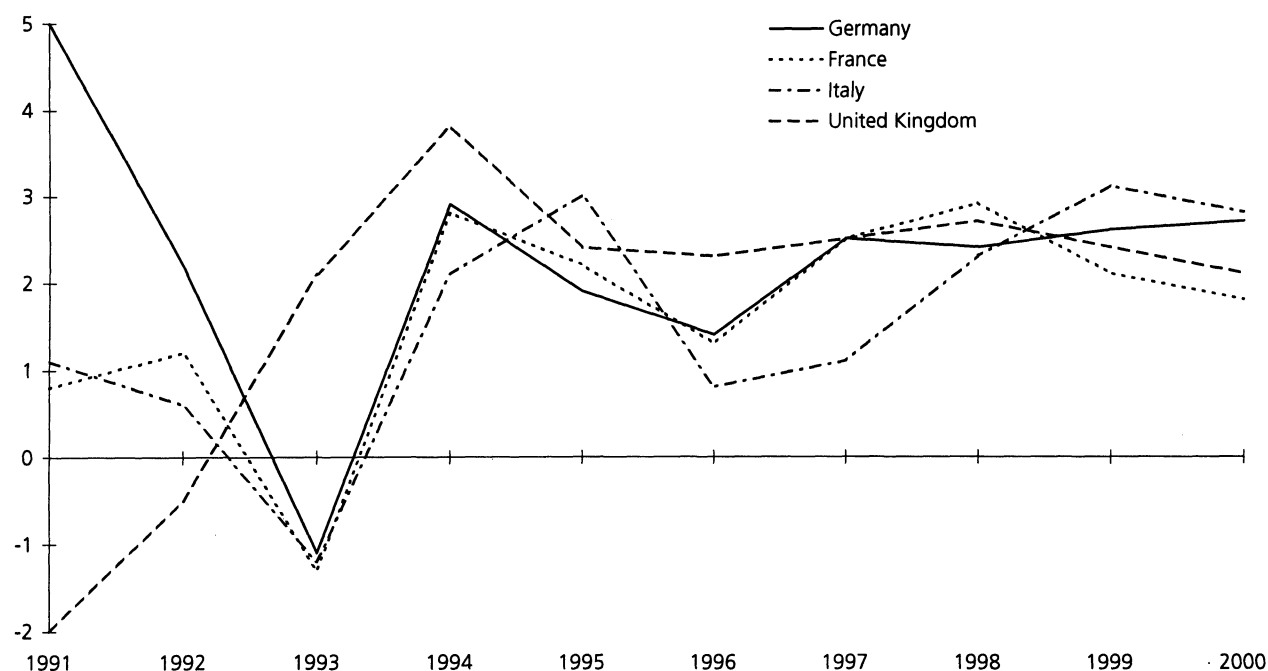
Sources: Project LINK World Outlook, March 1997 and AIECE Medium Term Report, April 1997.

likely to continue to hamper growth in 1997, there is no clear indication in the forecasts of a positive effect of the planned establishment of the EMU from the beginning of 1999. Inflationary pressures will remain absent according to the projections, even in rapidly growing economies such as the Finnish and the Irish. This must, however, be seen in the light of the high unemployment rates in these countries. No major improvements of the labour market are likely to be seen during the forecast period, even though there has been a decline in unemployment rates in some countries recently, e.g. in the UK, Ireland and the Netherlands.

The major economies

For three of the major economies, France, Germany and Italy, 1996 turned out to be a weak year with growth rates varying from 0.7 to 1.5 per cent. For the two former countries growth is assumed to pick up from this year and remain in the interval 2.5 to 3 percent for the rest of the decade, stimulated in the beginning by export growth after depreciation of the currencies versus the US dollar. The low interest rates could also be an important stimulus to growth, in particular when the uncertainty around the EMU is removed. However, the high unemployment figures may put a strain on consumer confidence. In Italy sluggish growth will continue this year and a pick-up is not forecast to take place before 1998-99. This has to be seen in connection with the strong lira which is hampering exports, while domestic demand is dampened by fiscal consolidation. In 1996 the UK was clearly out of phase with the other three countries, with growth in GDP of 2.4 per cent. Despite a very favourable outlook for domestic demand this year, GDP-growth is not expected to accelerate much due to contracting effects of the strong pound. It is also likely that the now more independent Bank of England will take measures to prevent a boom and bust development which has been predominant in former UK cycles, an there-

Figure 3. Major EU-countries. GDP growth rates



Sources: AIECE and Project LINK

fore raise rates further. Moderate growth is accordingly forecast for the UK in the period ahead.

The average AIECE-projections for economic growth in the major EU-countries in the period 1996-2000 have been marginally lowered since the forecasts were made one year ago, reflecting the downward tendency for all demand components and exports. This must be seen in connection with the rather disappointing development from the latter part of 1995 when forecasts were gradually adjusted along with publication of weaker than expected quarterly national accounts figures. If compared to the three former five-year periods one finds that the projections for the period 1996-2000 indicate a less pronounced cyclical pattern. The average GDP-forecast is only slightly higher than the actual growth rates for the first half of the 1990s, but considerably lower than for the last half of the 1980s, see table 2. In particular both private consumption and investment are set to grow slower in the period 1996-2000 than in the period 1986-1990. A comparison of the 1980s with the 1990s also shows that public consumption growth has dropped from around 2 per cent a year to around 1 per cent a year, reflecting the need for fiscal consolidation in the latter period. Import is expected to grow by almost 5 per cent annually, reflecting a stronger growth in domestic demand than in the early 1990s. More interestingly is the high degree of stability over time in export performance. The growth rates in the 1990s are close to the previous decade at around 5 per cent.

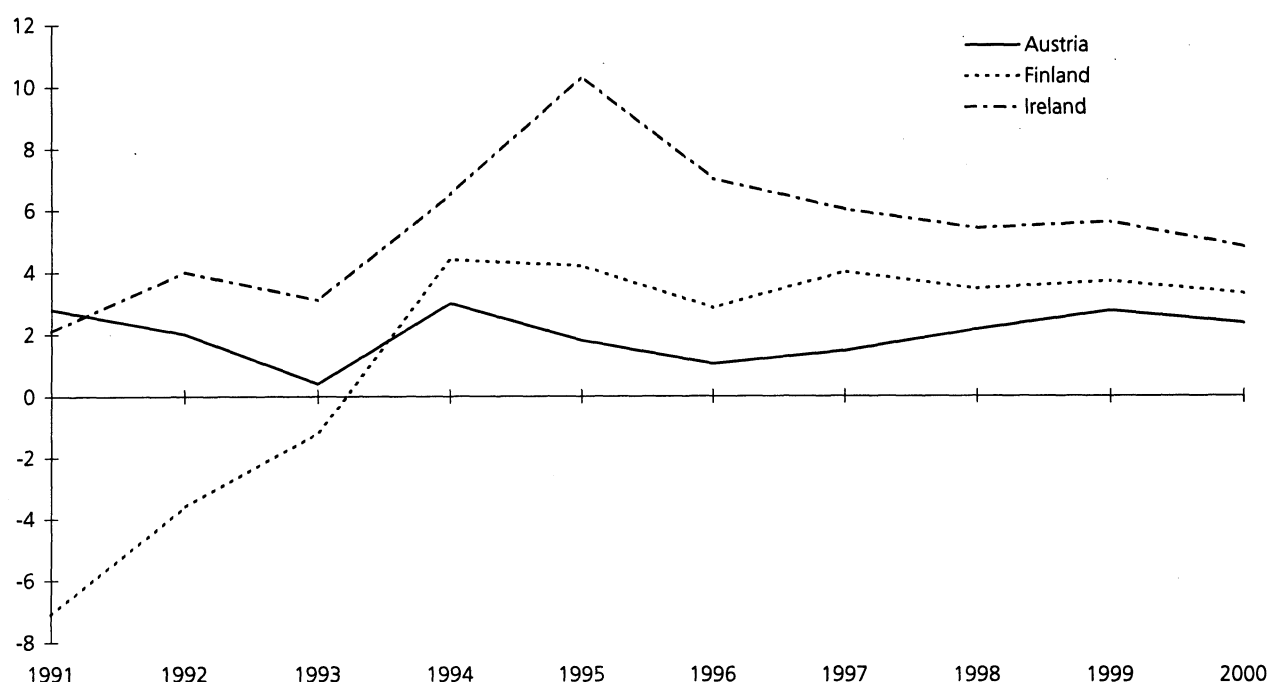
More pronounced differences is seen when looking at consumer prices and unemployment. There has been a clear downward trend in inflation rates since the early 1980s. In-

flation rates were more than halved from the first to the second half of that decade, and a further halving can be expected when looking at the projections for the period 1996-2000. Consumer price forecasts for this period are also lower than a year ago. For unemployment a less favourable picture emerges. According to the forecasts the level of the unemployment rates will not decrease during the 5 years period. On average the projected average rate equals exactly the observed rate for the first half of the 1990s. The forecasts over this period indicate a relatively stable development, in particular for Germany and Italy. A slight reduction in the unemployment rate is projected for the

Table 2. Major EU-countries. Average GDP-growth rates

	1981- 1985	1986- 1990	1991- 1995	1996- 2000 AIECE Spring 1997 ¹	1996- 2000 AIECE Spring 1996
GDP	1.5	3.3	1.8	2.2	2.4
Private consumption	1.4	3.6	1.4	2.0	2.2
Public consumption	2.0	2.2	1.4	1.0	1.2
Gross fixed investments	-0.5	5.8	-0.4	2.8	3.3
Exports of goods and services	4.2	5.1	5.4	5.5	5.8
Imports of goods and services	2.1	7.7	3.9	4.9	5.3
Consumer prices	8.8	4.2	3.8	2.2	2.6
Unemployment rate (%)	9.0	9.2	10.4	10.4	9.4

¹ Weighted average of forecasts for Italy, the UK, France (average of two institutes) and Germany (only IFO).
Sources: OECD Economic Outlook (historical figures) and forecasts from the institutes.

Figure 4. Austria, Finland and Ireland. GDP-growth rates

Sources: AIECE and Project LINK

UK economy, while the forecasts for France show no major change in the labour market in the coming years.

Smaller EU-countries

In some of the smaller countries, notably Greece, Finland and Ireland, strong GDP-growth is expected over the forecast period. For the two latter countries a rapid economic upswing has been going on for some years already, and although GDP-forecasts for both countries show a declining pattern towards 2000, the average growth rates lie far above most other EU-countries. In Ireland brisk growth is expected for all private demand components and public expenditure will also expand moderately. Finland seems to be in much of the same favourable situation as Ireland, but with somewhat more restricted impulses from the public sector, in particular regarding government consumption. Export growth is also a bit more relaxed in Finland, but GDP is nevertheless expected to grow by around 4 per cent in the coming three to four years. Finland and Ireland also foresee a further reduction of their unemployment rates.

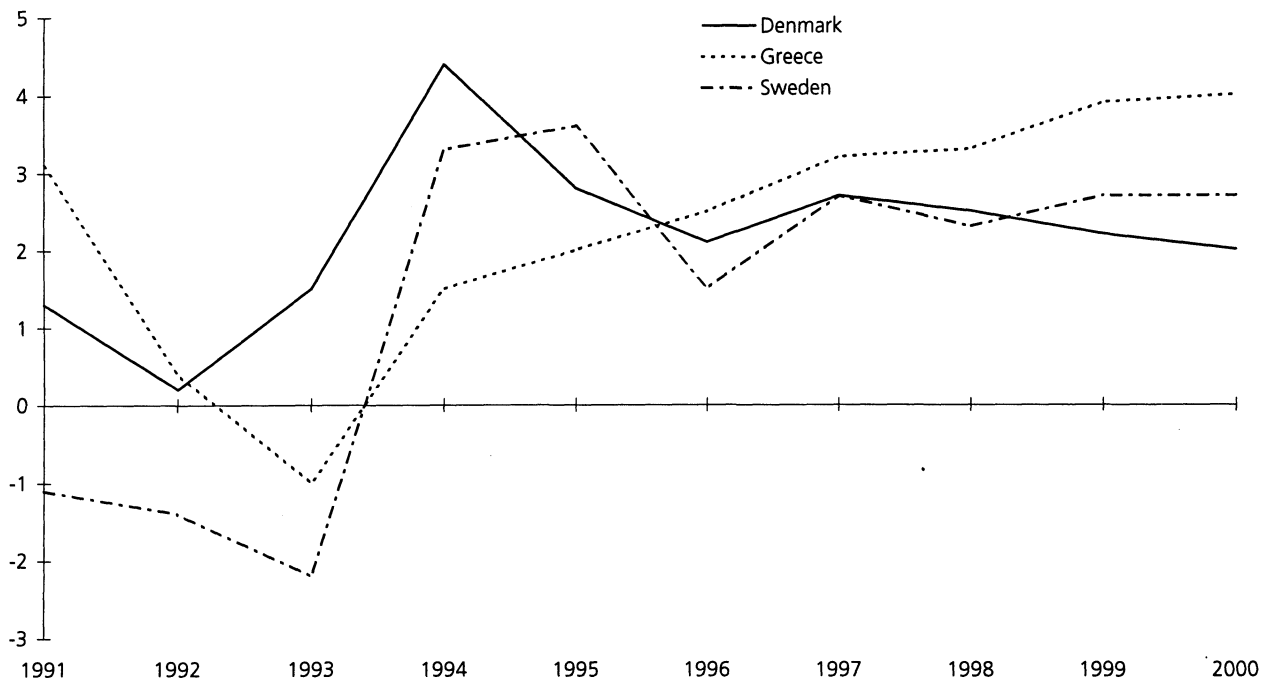
For Austria, Netherlands and Belgium one should expect close links with the economic developments in Germany and France. According to the forecasts, GDP-growth for Austria is weaker and more in line with Italian figures, while prospects for the Dutch and Belgian economies are somewhat brighter than for their bigger neighbours. In the Netherlands private consumption will play a major role in the upswing, probably stimulated by the decline in unemployment. GDP-growth rates of slightly more than 3 per

cent is expected this year and the next, with somewhat slower growth towards the turn of the century. In Belgium, consumer demand will remain weak, while private investments and exports are set to play the major role in boosting the economy in the years ahead. GDP is expected to grow by 2.5 to 3 per cent in the period 1997-2000.

In Sweden and Denmark moderate growth is projected for the coming years. Despite the strengthening of the Swedish krona, the strong export performance of the Swedish industries is expected to continue. The extensive public savings programme has improved government finances considerably, and from 1998 onwards there seems to be room for a moderate expansion of public expenditure. In addition private consumption is set to resume somewhat, stimulated by low interest rates, real wage growth and a stable level of unemployment. In Denmark, consumer demand is projected to continue as a major driving force in the years to come, joined by still brisk export performance.

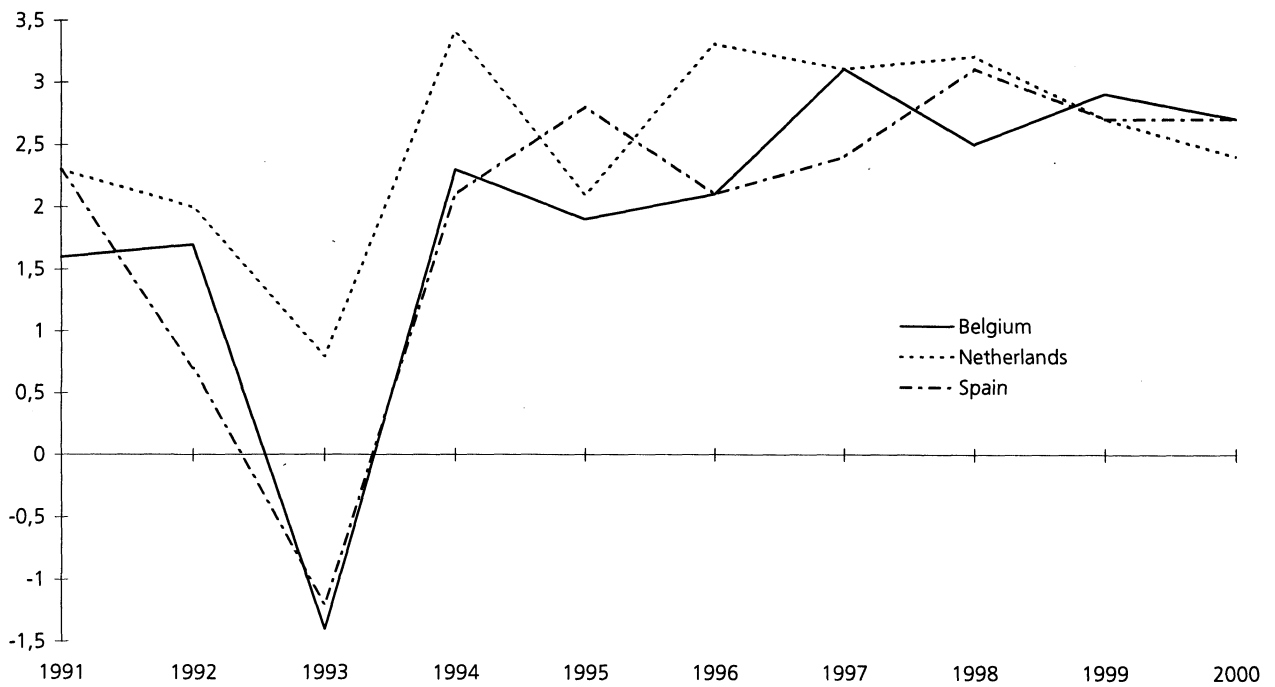
Contrary to major European economies there was no pronounced slowdown in the Spanish economy in 1996. GDP grew by a little more than 2 per cent, stimulated by private consumption and to some extent net exports. The favourable development is likely to continue, still with consumer demand as a major driving force, explained by a marked pick up in real wages. An expansion of real investment is also set to resume, stimulated by low interest rates and an upsurge in capacity utilisation. Forecasts also indicate brisk exports growth, helped in the first part of the period by a depreciation of the peseta against the dollar. As a consequence of this relatively favourable outlook for produc-

Figure 5. Denmark, Greece and Sweden. GDP-growth rates



Sources: AIECE and Project LINK

Figure 6. Belgium, Netherlands and Spain. GDP-growth rates



Sources: AIECE and Project LINK

tion, unemployment is projected to decline gradually, from a very high level, towards the end of the decade.

The forecasts seen in the light of the EMU-process

At present there is some uncertainty with regard to the EMU. France's new leftwing government signalled the need for more weight on job creation and growth in the EMU and not only focus on the German-inspired stability pact to enforce fiscal discipline. In the recent Amsterdam agreement a compromise was reached. The stability pact on budgetary discipline will go forward. However, the agreement also holds out the possibility of member states exerting political influence over the management of exchange rate policy of the single currency, the euro. The decision points in the direction of a somewhat weaker euro, as does the increased possibility of a monetary union with a large number of participating countries. Whether EMU goes through or not is in the end a purely political decision. The forecasts considered are implicitly based on the assumption that EMU will commence from the beginning of 1999 with 8, 10 or at most 11 countries. Greece will not qualify according to the Maastricht-criteria, while the UK, Denmark and Sweden will most likely not want to take part from the start. Then there seems to be some uncertainty as to whether Italy would be allowed to join. If Spain and Portugal are accepted, it could turn out to be difficult to deny entry for Italy. And since core countries such as Germany and France do not seem to fulfil the criteria (in particular for budget deficits), the probability for other countries, including Spain and Portugal, in joining at the first stage of the monetary union increases.

Introduction of the euro and the establishment of the EMU from 1999 does not seem to have affected the forecasts noticeably. This is surprising since a likely consequence of the EMU is a convergence of short term interest rates. In fact, as soon as the choice of EMU participants is made in May 1998, one should possibly see a rapid adjustment of short term interest rates towards the German level. The interest rate forecasts, therefore, should to some extent indicate whether participation in the EMU is likely or not. In fact both the short term rates in 1998-2000 and the long term interest rates from 1996 should converge for possible EMU-countries.

According to table 3 there is no distinct convergence pattern in the interest rate forecasts. For short term rates the projections for Austria, Belgium, Finland, France and Germany are quite similar in 1999 and 2000, while it seems odd that forecasts for Irish rates are far above the others. For the remaining countries the higher rates could be explained by expected non-EMU membership. Long-term rates for 1996 give much of the same picture, but with Irish rates more in line with rates in the other countries. The expected reduction of long-term rates in Italy from 1996 to 1997 can be seen as an indication of improved prospects for an EMU-membership. A somewhat smaller drop in the long rates is also expected in Spain in the same period.

Table 3. Interest rate outlook for EU-countries¹

	Short-term interest rates			Long-term interest rates		
	1998	1999	2000	1996	1997	1998
Austria ²	3.9	4.4	4.7	6.4	6.2	6.8
Belgium	4.3	4.5	4.9	6.3	5.6	5.6
Denmark	5.7	5.9	6.2	..	..	..
Finland ²	3.5	4.0	4.0	6.8	6.0	5.5
France	4.3	4.5	4.7	6.6	6.4	6.4
Germany ²	3.5	4.0	4.2	6.2	6.4	6.8
Greece	..	..	..	12.0	10.2	8.4
Ireland ²	5.6	6.3	6.8	6.8	6.0	5.8
Italy ²	5.7	5.1	5.2	9.1	7.4	7.3
Spain	6.6	6.0	6.2	9.1	8.6	7.7
Sweden	5.5	5.2	5.9	..	..	..
UK ²	5.9	5.9	5.9	8.0	7.8	7.5

¹ Portugal, Netherlands and Luxembourg are not included.

Sources: Project LINK World Outlook, March 1997 and ² AIECE Medium-term Report, 1997.

Apart from possible interest rate reductions, it is also likely that EMU will give a positive confidence effect. The uncertainty with regard to the EMU will probably disappear in the spring of 1998 for most of the countries. This may boost the industrial confidence and stimulate private investments in Europe.

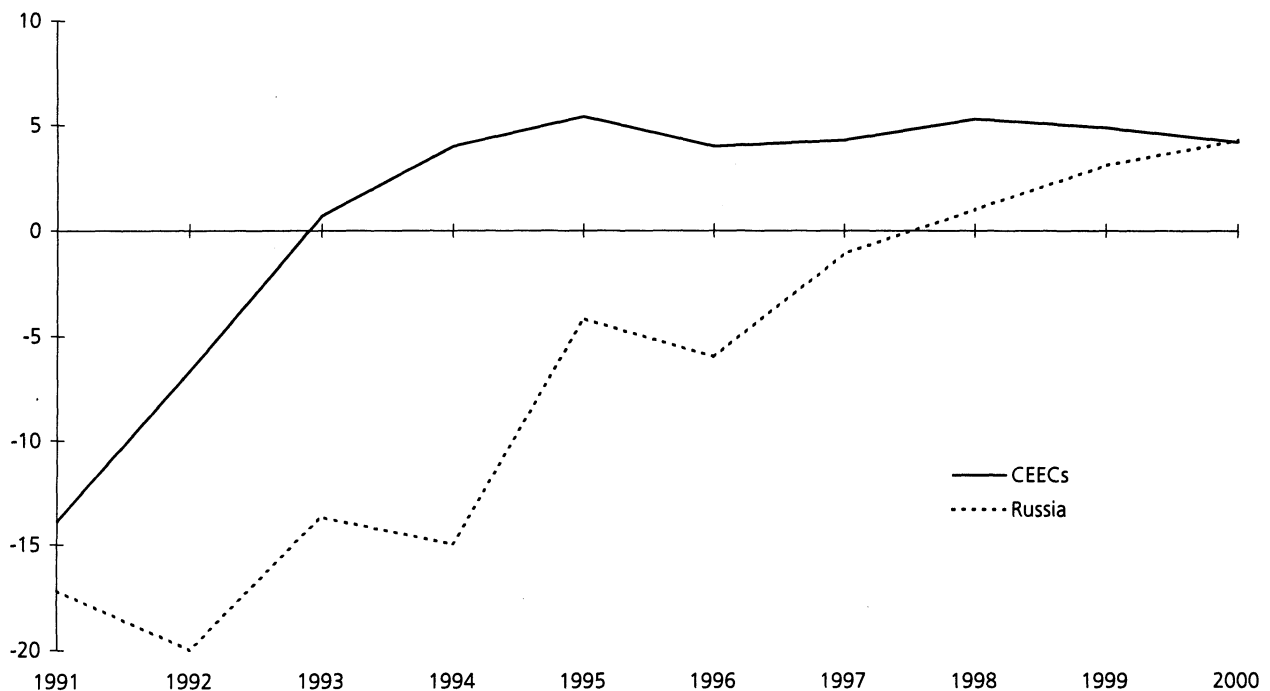
It is also possible that the EMU-decision will lead to an easing of the imminent pressure on fiscal policies in participating countries, and therefore stimulate to somewhat stronger growth in the two last years of the projection period. This may be countered by the European Central Bank, however, which may conduct a tighter monetary policy to prevent a rekindle of inflation and to ensure the euro as a strong currency. With a large number of participating countries initial confidence in the euro will be low, and interest rates probably have to be higher to secure low inflation or stabilize the currency than with a hard core EMU.

Countries that disqualify may be permanently excluded from membership due to increased difficulties in meeting the criteria outside a union. Currency market turbulence in the period prior to the decision of who is in and who is out, cannot be ruled out. The instability will most likely have a negative effect on growth through the increased uncertainty among economic agents. A country that is excluded from EMU membership may, however, allow the currency to depreciate against the euro and thereby prepare the ground for export driven growth.

Eastern and Central Europe

The political and economic transformation of the former centrally planned economies in central and eastern Europe is in its eighth year. The transformation promised a major change in the ways in which these countries would interact within the global framework. It was widely imagined that after a relatively short, painful adjustment period, the countries would resume economic growth at a high and sustain-

Figure 7. Central and Eastern European countries and Russia. GDP-growth rates



Source: Project LINK

nable rate. After seven years of wrenching transformation, much of the initial optimism has evaporated and one has realized that the stabilization process will be more protracted and multifaceted than initially believed. These general observations apply to the Central and Eastern European transition economies in different ways, however. Market reforms and stabilisation efforts have proceeded at various speeds, followed different programmes and achieved varying degrees of success. As opposed to the considerable progress made in many countries of Central Europe, where economic recovery has been well under way since 1994 and medium-term prospects for growth are much improved, the situation is very different in the countries of the former Soviet Union. Most of them are still in deep economic decline and macroeconomic, as well as political, stability is far from being achieved.

The Eastern and Central European countries (excluding the republics of the former Soviet Union) expanded by 4 per cent as a whole last year, but some countries in the region experienced severe setbacks, especially Albania which has totally disintegrated, and Bulgaria, where output contracted by about 9 per cent. At the same time the Czech Republic, Poland, Romania, Slovakia and Croatia registered growth between 4 to 7 per cent. In the majority of the countries inflation was at single digit rates in 1996. Exceptions are Romania, where prices rose close to 40 per cent, and Bulgaria, which entered a state of hyperinflation at the end of the year.

According to the forecasts from Project LINK, Croatia, the Czech Republic, Poland and Slovakia are expected to in-

crease their annual production by more than 5 per cent to 2000, while Hungary and Romania will fall behind with around 3 per cent growth per year. The forecasts from AIECE are to a large extent in accordance with these projections. One exception, however, is a more pessimistic view of the prospects for the Czech Republic where the institutes expect an average annual growth rate of 4.4 per cent for the period. Considering the recent events in the Czech Republic where a stagnating economy led to currency turbulence and subsequent interest rises, even these latter forecasts may be too optimistic. The situation in Bulgaria looks rather sinister with projected further fall in the production. However, economic activity may gain momentum again at the end of the forecast period. In the majority of the Central European countries growth is projected to accelerate towards the turn of the century, while Poland and Slovakia are expected to see slightly decreasing growth rates over the next four years.

The main driving force behind the economic expansion in the majority of countries so far has been domestic demand. Macroeconomic stabilization, relative political stability and institutional reforms have created an optimistic business climate and boosted investments. In 1996 the growth rate of fixed investments in the Czech Republic and Poland was 15 and 21.6 per cent respectively according to preliminary estimates, while investments increased by 4-5.5 per cent in Hungary, Slovakia and Slovenia. Private consumption expanded by a weighted average of nearly 7 per cent in the Czech Republic, Poland and Slovenia last year due to very high real wage growth lately. In Hungary, however, private consumption contracted by 3 per cent last

year. The growth in domestic demand is expected to decelerate somewhat in the Czech Republic, Poland, Slovakia and Slovenia towards 2000 while the opposite trend is expected in Croatia, Hungary and Romania. The current account deficits have been growing substantially in the Czech Republic and Poland. So far this has been easily financed by inflow of foreign capital. Net exports is likely to contribute more positively in many Central European countries during the forecast period. Foreign direct investments are projected to increase due to relatively low wages – in spite of the high real wage growth. The positive scenario envisioned is vulnerable to changes in the external environment, however. Lower activity in the EU will have a negative impact on export possibilities and further interest rate increases in the US may dampen the inflow of foreign capital.

Consumer price inflation has been declining since 1991 in most of the Central European countries. The Czech Republic, Slovakia and Slovenia had annual inflation below 10 per cent in 1996, while consumer prices in Poland and Hungary increased by more than 20 per cent. The inflation rate in Poland has come down gradually every year from above 70 per cent in 1991, while the price rises in Hungary have shown more fluctuation during the last six years. Croatia has shown a remarkable effort in controlling price rises and inflation has dropped from above 1500 per cent in 1993 to 3.5 per cent in 1996. The inflation rate is expected to move on a downward trend towards the turn of the century in the majority of the Central European countries due to increasing competition and appreciating currencies. Liberalisation of administered prices, which has contributed to the very high inflation rates seen during the early 1990s will be completed and will not contribute to upward price pressure to the same extent.

In Russia output fell by 6 per cent in 1996 while in Ukraine GDP contracted by 10 per cent. The rate of inflation declined substantially in both countries, but were nevertheless high; 21.8 and 80.3 per cent respectively. The official statistics may underestimate economic activity. In Russia, indirect indicators such as energy consumption and freight figures, suggest higher output. This may, to a large extent, be explained by a booming informal sector, which is also reflected in the production pattern. Industrial production is shrinking while services, noticeable in the former Soviet economy only by their absence, are now believed to exceed 50 per cent of Russia's GDP.

The Russian government has recently prepared a medium-term programme where an economic turnaround in 1997 is envisaged. The programme is expected to lead to a consolidated recovery with increasing annual growth rates reaching 5 per cent in 2000. This rebound will largely be fuelled by growth in industrial and agricultural production, revitalization of investments and strong performance of the external sector. According to the Project LINK the growth scenario is too optimistic. A further contraction of output is expected this year, before a feeble upturn of 1 per cent in 1998. The foundation for accelerating growth is rather

weak. Investments have fallen sharply every year since the collapse of the old system and Russia also lags behind the Central European economies in attracting foreign direct investments. In 1996 FDI in Russia was around a fifth of the amount entering the CEFTA-countries (Central European Free Trade Association).

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Discussion Papers

Jens Aune, Solveig Glomsrød, Vegard Iversen and Henrik Wiig:

Structural Adjustment and Soil Degradation in Tanzania. A CGE-model Approach with Endogenous Soil Productivity

DP 189, 1997. pp. 39.

In this paper, a model of the nitrogen cycle in the soil is incorporated in a Computable General Equilibrium (CGE) model of the Tanzanian economy, thus establishing a two way link between the environment and the economy. For a given level of natural soil productivity, profit maximising farmers choose a production technique and the optimal production volume, which in turn influences the soil productivity the following years through the recycling of nitrogen from the residues of roots and stover and the degree of erosion.

The model is used to simulate the effects of typical structural adjustment policies: a reduction in agrochemical subsidies, reduced implicit export tax rate, a devaluation of the currency, a cut in governmental expenditure and a reduction of foreign transfers. The result of a joint implementation is a 9 percent higher GDP level compared to the baseline scenario after 10 years. The effect of soil degradation is found to represent a reduction in the GDP level of more than 5 percent for the same time period.

Erik Biørn and Tor Jakob Klette:

Panel Data with Error-in-Variables: A Note on Essential and Redundant Orthogonality Conditions in GMM-estimation

DP no. 190, 1997. pp. 13.

General Method of Moments (GMM) estimation of a linear one-equation model using panel data with errors-in-variables is considered. To eliminate fixed individual heterogeneity, the equation is differenced across one or more than one periods and estimated by means of instrumental variables. With non-autocorrelated measurement error, we show that only the one-period and a few two-period differences are essential, i.e. relevant for GMM-estimation. GMM estimation based on all orthogonality conditions on the basis of a generalized inverse formulation is shown

to be equivalent to estimation using only the essential orthogonality conditions.

Einar Bowitz and Ådne Cappelen:

Incomes Policies and the Norwegian Economy 1973-93

DP no. 192, 1997. pp. 30.

During the second half of the 1970s there was massive government interference in wage and price formation in Norway. Incomes policies changed in the first half of the 1980s - the hey days of "dynamic tax policies" in Norway - and during the second half of the 1980s new direct interventions in wage formation were implemented. These episodes of incomes policies are discussed and their empirical importance is assessed in the econometric price and wage equations of a large scale macroeconomic model of the Norwegian economy. Model simulations show that while price regulations generally led to an expansion of output and loss of competitiveness, wage regulation produced both output expansion and gain in competitiveness. The dynamic tax policy implemented in Norway was less successful and led to both higher prices and wages as well as lower output.

Solveig Glomsrød, Maria Dolores Monge A. and Haakon Vennemo:

Structural Adjustment and Deforestation in Nicaragua

DP no. 193, 1997. pp. 26.

This paper investigates the impact of structural adjustment policies on deforestation taking place when the agricultural frontier advances into forest reserves in Nicaragua. A computable general equilibrium model incorporating deforestation by squatters is used for policy simulations. The opportunity cost of migrating to the frontier does not simply depend on wage income opportunity, but also on market prices of basic grain which determine the capacity to consume beyond subsistence food level within a certain real wage. Reducing public expenditures both conserve forests and enhance economic growth, while showing positive distributional effects. On the other hand, a strong conservation trend following a sales tax increase is driven by increasing poverty in rural areas. Noticeably, there are policies which initially intensify deforestation, but turn out to ease the pressure on forests

over time. Rapid economic growth does not ensure less pressure on forest reserves.

Frode Johansen and Tor Jakob Klette:

Wage and Employment Effects of Payroll Taxes and Investment Subsidies

DP no. 194, 1997. pp. 22.

Using a panel of manufacturing plant we study how payroll taxes and investment subsidies affect wages and demand for labor and capital. We exploit the regional subsidy schemes for labor and capital in Norway. Our empirical analysis finds that a large part of changes in payroll taxes is shifted over to wages. This result suggests that changes in payroll taxes have a limited direct effect on employment. Our study of investment subsidies finds evidence of substitution between labor and capital, with an elasticity of substitution of about 0.4 at the plant level. This indicates that increased taxation of capital will have a positive substitution effect on the demand for labor.

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Mette Rolland:

Military Expenditure in Norway's Main Partner Countries for Development Assistance. Revised and Expanded Version
Documents 97/3, 1997. pp. 59.

In recent years military expenditure in developing countries has been the subject of increased attention on the aid policy agenda, both in individual donor countries and in multilateral organizations. This highlights the need for exact information on the allocation of resources to the defence sector in developing countries. Based on the desire to gain insight into existing problems with regard to military expenditure in general and the situation in Norway's main partner countries in particular, a study of military expenditure in developing countries was carried out by the author in the spring of 1994. This study is an expanded version of a follow-up of the empirical section of the report. It contains a review of the seven most widely used international sources with information concerning the military sector of developing countries. In keeping with the new guidelines for Norwegian development assistance, the country survey has been expanded to include eighteen countries that are part of the high-priority regions. The figures show that military expenditure as a

percentage of GDP has risen lately in three of the countries surveyed. For the majority of Norway's main partner countries for development assistance the defense sector is, however, using an increasingly smaller share of the countries' resources.

Erling Joar Fløttum, Frank Foyen, Tor Jakob Klette, Per Øivind Kolbjørnsen, Svein Longva and Jan Erik Lystad:

What Do the Statisticians Know about the Information Society and the Emerging User Needs for New Statistics?

Documents 97/6, 1997. pp. 38.

The statistical system has been put under pressure by the emergence and the rapid changes of the information society. This paper describes different aspects of the changing reality and the emerging statistical needs. One is the structural change in the economy in most of the 20th century, lately with the increasing role of the information sector of the economy. Another aspect is how the information technology affects our activities at work and leisure, moving to a more knowledge-based economy where the skills of human capital will be vital. The paper also discusses how the increased use of new technology affects the economy and "the productivity paradox".

The need for statistics on the different aspects of the supply side and the user side of the information society is presented. One main conclusion is the importance to improve the general statistical systems. At the outset, statistics for the information society are a global term that might comprise all sorts of statistics: economic, social, cultural, environmental etc. A valid description of the information society will have to incorporate and extract elements of relevance to the information and communication technology into a wide spectre of the statistical landscape. The measurement problems especially in the service sector are a serious obstacle, not the least to treat the new products of to-day adequately.

For the interest of the users in the field of information statistics the NSIs should capture a larger part to secure that a central core of statistics for the information society is produced with a systematic approach, and with continuity and comparability.

Helge Brunborg and Erik Aurbakken:
Evaluation of Systems for Registration and Identification of Persons in Mozambique

Documents 97/8, 1997. pp. 41.

The field work for this report was done during a two-week visit to Mozambique in December 1994 to evaluate the quality and usefulness of the systems for population re-

gistration and identification. The work was done on behalf of the Norwegian Refugee Council, which has been supporting registration and identification activities in the Tete and Maputo provinces to assist returning refugees and internally displaced persons to reintegrate into civil society. The project was funded by SIDA and the Ministry of Foreign Affairs of Norway.

We are grateful to everybody we met for their helpful and friendly reception and their patient explanation of the Mozambican system. We are particularly grateful to Nina Berg and Margaret Vikki of the office of the Norwegian Refugee Council in Maputo, for their assistance and excellent organisation of our stay. Nina Berg has also contributed by writing appendices C and D.

A first print of this report was presented in January 1995 as a mission report. There has been considerable interest in the report since then, not only in Mozambique but also in other countries facing the needs for identification and registration of persons. The mission report was, therefore, later translated into Portuguese. The Portuguese version is available from the Norwegian Refugee Council's offices in Maputo and Oslo as well as from the authors.

It seems natural to include this report in the series of project and mission reports of common interest for a wider audience, which has recently been established by the International Consulting Office of Statistics Norway.

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Table A1. Macroeconomic figures. At current prices. Million kroner

	1995	1996	96:1	96:2	96:3	96:4	97:1
Final consumption exp. of households and NPIS	457 548	484 268	113 660	113 193	123 096	134 319	120 399
Goods	245 840	262 365	60 376	61 328	64 590	76 071	62 992
Services	208 681	217 474	53 449	51 449	56 118	56 459	56 937
Direct purchases abroad by resident househ. .	18 001	19 652	3 031	4 189	7 936	4 496	3 453
- Direct purchases by non-residents	-14 974	-15 223	-3 196	-3 773	-5 547	-2 707	-2 983
Final consumption exp. of general government .	195 840	208 862	51 162	51 680	52 730	53 289	53 794
Final consumption exp. of central government.	78 726	84 231	20 628	20 835	21 260	21 509	21 519
Central government, civilian	56 823	60 651	14 850	14 999	15 305	15 496	15 541
Central government, defence	21 903	23 580	5 777	5 836	5 954	6 013	5 979
Final consumption exp. of local government .	117 114	124 631	30 535	30 846	31 471	31 781	32 275
Gross fixed capital formation	192 843	208 375	45 735	49 725	52 422	60 493	51 445
Crude petr., gas extr., transp. via pipelines . .	48 152	47 492	10 199	12 363	12 287	12 644	12 638
Ocean transport and oil drilling	3 564	5 467	1 068	821	1 565	2 012	2 534
Mainland industries	141 126	155 416	34 469	36 541	38 570	45 837	36 273
Manufacturing and mining	16 455	18 196	3 434	4 272	4 697	5 793	3 457
Production of other goods	12 019	12 096	2 253	3 211	3 140	3 492	2 135
General government	29 368	31 767	6 829	6 889	8 020	10 029	7 633
Dwelling service	26 481	26 089	6 341	6 189	6 586	6 973	6 969
Other services	56 803	67 268	15 612	15 980	16 127	19 549	16 079
Changes in inventories	26 951	23 596	12 798	6 048	5 402	-651	7 786
Gross capital formation	219 793	231 972	58 533	55 773	57 824	59 842	59 232
Final domestic use of goods and services . . .	873 181	925 102	223 355	220 646	233 651	247 450	233 425
Demand from Mainland-Norway	794 514	848 546	199 291	201 413	214 396	233 445	210 466
Exports	353 296	412 679	99 005	98 612	102 870	112 192	106 429
Traditional goods	143 424	155 849	40 386	37 375	36 785	41 303	39 074
Crude oil and natural gas	113 231	156 688	34 593	36 717	40 000	45 378	43 150
Ships and platforms	10 581	9 151	2 604	2 175	1 341	3 031	1 691
Services	86 060	90 991	21 422	22 345	24 744	22 480	22 514
Total use of goods and services	1 226 477	1 337 781	322 360	319 258	336 521	359 642	339 854
Imports	297 471	319 986	75 636	75 250	81 345	87 755	78 384
Traditional goods	202 935	222 613	53 992	53 525	53 945	61 151	53 231
Crude oil	1 121	1 445	218	255	261	711	380
Ships and platforms	12 863	14 290	3 776	2 340	3 714	4 460	4 253
Services	80 552	81 638	17 650	19 130	23 425	21 433	20 520
Gross domestic product	929 006	1 017 794	246 728	244 008	255 174	271 885	261 475
Mainland-Norway	793 730	834 819	205 575	200 917	207 942	220 385	211 583
Oil activities and ocean transport	135 276	182 975	41 153	43 091	47 232	51 500	49 892
Mainland industries	695 477	727 088	180 754	175 025	180 701	190 608	187 857
Manufacturing and mining	115 043	119 515	30 345	29 313	29 207	30 650	27 216
Production of other goods	79 293	80 875	21 781	16 003	20 930	22 162	21 982
General government	147 649	157 908	38 688	39 083	39 873	40 266	41 021
Private services	353 492	368 790	89 940	90 628	90 691	97 531	97 638
Correction items	98 253	107 731	24 822	25 892	27 241	29 777	23 725

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Table A2. Macroeconomic figures. At constant 1993-prices. Million kroner

	1995	1996	96:1	96:2	96:3	96:4	97:1
Final consumption exp. of households and NPIS	439 745	460 253	109 507	107 867	116 841	126 038	111 004
Goods	236 636	250 934	58 475	58 846	61 582	72 031	58 335
Services	200 224	205 460	51 251	48 652	53 237	52 321	52 074
Direct purchases abroad by resident househ. .	17 412	18 384	2 847	3 939	7 369	4 228	3 383
- Direct purchases by non-residents	-14 528	-14 524	-3 066	-3 570	-5 347	-2 541	-2 788
Final consumption exp. of general government .	184 282	190 313	46 777	46 977	48 258	48 302	48 086
Final consumption exp. of central government.	74 479	77 587	19 092	19 113	19 727	19 655	19 532
Central government, civilian	53 687	55 914	13 730	13 759	14 210	14 215	14 062
Central government, defence	20 792	21 673	5 362	5 354	5 517	5 441	5 470
Final consumption exp. of local government .	109 803	112 726	27 684	27 864	28 532	28 646	28 554
Gross fixed capital formation	182 235	190 998	42 411	45 491	48 333	54 762	47 623
Crude petr., gas extr., transp. via pipelines .	45 753	43 752	9 549	11 388	11 345	11 469	11 422
Ocean transport and oil drilling	3 146	5 062	930	750	1 436	1 946	2 487
Mainland industries	133 336	142 184	31 931	33 354	35 552	41 347	33 714
Manufacturing and mining	15 823	17 156	3 245	4 061	4 433	5 417	3 376
Production of other goods	11 459	11 290	2 117	3 012	2 928	3 234	2 041
General government	27 689	29 014	6 333	6 265	7 369	9 048	7 088
Dwelling service	24 544	23 080	5 726	5 461	5 798	6 094	6 031
Other services	53 821	61 644	14 511	14 555	15 025	17 554	15 178
Changes in inventories.	27 456	22 873	12 028	5 939	5 265	-358	8 512
Gross capital formation	209 691	213 871	54 439	51 430	53 598	54 405	56 135
Final domestic use of goods and services . . .	833 718	864 438	210 723	206 273	218 698	228 745	215 225
Demand from Mainland-Norway	757 363	792 751	188 215	188 197	200 652	215 687	192 804
Exports.	355 919	391 488	97 491	94 459	97 908	101 629	97 899
Traditional goods	131 716	145 246	37 620	34 741	34 657	38 227	36 620
Crude oil and natural gas.	125 818	145 312	35 546	35 613	36 388	37 765	37 498
Ships and platforms.	10 888	8 785	2 615	2 078	1 275	2 817	1 545
Services	87 498	92 145	21 709	22 028	25 588	22 820	22 236
Total use of goods and services	1 189 637	1 255 926	308 213	300 733	316 606	330 374	313 124
Imports.	289 675	308 520	73 539	72 848	78 817	83 316	77 267
Traditional goods	197 477	215 786	52 162	52 129	52 702	58 794	53 609
Crude oil	1 244	1 176	214	219	226	517	331
Ships and platforms.	13 206	13 925	3 732	2 248	3 612	4 333	4 122
Services	77 748	77 633	17 432	18 253	22 277	19 671	19 204
Gross domestic product	899 962	947 405	234 678	227 885	237 787	247 056	235 861
Mainland-Norway	746 445	773 844	192 163	185 474	193 999	202 208	191 196
Oil activities and ocean transport	153 517	173 561	42 515	42 411	43 788	44 848	44 665
Mainland industries	663 381	683 450	170 669	164 135	171 497	177 149	169 820
Manufacturing and mining	103 209	106 024	27 428	26 072	25 051	27 473	26 304
Production of other goods	74 935	72 466	19 632	14 357	19 521	18 956	17 889
General government	138 192	141 870	34 786	35 093	35 839	36 152	35 684
Private services	347 045	363 090	88 823	88 613	91 086	94 568	89 944
Correction items	83 064	90 394	21 494	21 339	22 502	25 059	21 376

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NATIONAL ACCOUNTS FOR NORWAY

Table A3. Macroeconomic figures.
Percentage change in volume from preceding year

	1994	1995	1996	96:1	96:2	96:3	96:4	97:1
Final consumption exp. of households and NPIS	4,0	2,7	4,7	5,4	3,3	4,5	5,4	1,4
Goods	4,7	2,8	6,0	7,5	4,5	4,8	7,3	-0,2
Services	3,4	2,1	2,6	3,0	2,3	2,5	2,6	1,6
Direct purchases abroad by resident househ. .	8,5	0,8	5,6	8,5	-6,9	13,0	4,7	18,8
- Direct purchases by non-residents	13,4	-6,9	-0,0	8,0	-3,2	-0,4	-3,6	-9,1
Final consumption exp. of general government .	1,4	1,0	3,3	3,4	2,7	3,7	3,2	2,8
Final consumption exp. of central government .	0,2	-0,2	4,2	4,3	3,3	4,8	4,3	2,3
Central government, civilian	0,3	0,5	4,1	4,1	3,1	4,8	4,6	2,4
Central government, defence	-0,0	-1,9	4,2	4,7	3,8	5,0	3,4	2,0
Final consumption exp. of local government . .	2,2	1,8	2,7	2,8	2,4	2,9	2,5	3,1
Gross fixed capital formation	4,5	3,7	4,8	1,7	1,7	9,9	5,6	12,3
Crude petr., gas extr., transp. via pipelines . .	-7,2	-13,8	-4,4	-4,6	-0,4	-2,7	-9,4	19,6
Ocean transport and oil drilling	-33,3	-32,1	60,9	-46,3	-51,2	.	91,2	167,3
Mainland industries	13,5	12,9	6,6	6,6	5,0	6,3	8,3	5,6
Manufacturing and mining	12,8	42,0	8,4	18,0	5,9	4,7	8,2	4,0
Production of other goods	0,7	3,7	-1,5	-1,5	-4,7	-1,3	1,7	-3,6
General government	-0,2	1,6	4,8	4,9	2,0	4,3	7,1	11,9
Dwelling service	24,6	13,0	-6,0	-8,0	-8,2	-3,6	-4,1	5,3
Other services	21,9	14,6	14,5	13,5	14,7	14,2	15,6	4,6
Changes in inventories	42,4	100,2	-16,7	7,5	-20,6	4,6	.	-29,2
Gross capital formation	6,6	10,7	2,0	3,0	-1,5	9,4	-2,2	3,1
Final domestic use of goods and services	4,0	4,2	3,7	4,3	1,9	5,5	3,1	2,1
Demand from Mainland-Norway	4,7	4,0	4,7	5,1	3,4	4,6	5,5	2,4
Exports	8,7	3,6	10,0	10,7	10,1	8,9	10,3	0,4
Traditional goods	12,5	4,2	10,3	9,1	11,4	8,6	11,9	-2,7
Crude oil and natural gas	11,9	8,1	15,5	15,8	19,3	19,3	8,6	5,5
Ships and platforms	-9,9	2,1	-19,3	28,3	-30,8	-65,7	32,1	-40,9
Services	2,7	-2,8	5,3	4,1	1,1	7,6	8,4	2,4
Total use of goods and services	5,4	4,0	5,6	6,2	4,4	6,5	5,2	1,6
Imports	4,9	5,5	6,5	7,3	1,2	8,5	8,9	5,1
Traditional goods	13,1	9,4	9,3	9,0	7,0	9,2	11,7	2,8
Crude oil	-17,5	32,0	-5,5	-38,7	-42,8	-31,1	179,9	55,1
Ships and platforms	-34,5	7,0	5,4	16,8	-12,3	49,1	-13,8	10,5
Services	-1,6	-3,6	-0,1	1,7	-10,1	2,8	5,6	10,2
Gross domestic product	5,4	3,6	5,3	5,9	5,4	5,9	4,0	0,5
Mainland-Norway	4,0	3,1	3,7	4,3	3,4	3,8	3,3	-0,5
Oil activities and ocean transport	13,0	5,9	13,1	14,1	15,2	16,3	7,3	5,1
Mainland industries	3,1	2,8	3,0	3,5	2,9	3,3	2,4	-0,5
Manufacturing and mining	4,2	3,0	2,7	2,7	0,3	4,5	3,6	-4,1
Production of other goods	0,3	8,4	-3,3	5,5	-3,2	-5,7	-8,9	-8,9
General government	1,7	1,8	2,7	2,6	2,7	2,7	2,6	2,6
Private services	3,8	1,9	4,6	3,7	5,0	5,3	4,5	1,3
Correction items	11,9	5,9	8,8	10,4	7,1	7,7	10,1	-0,5

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Table A4. Macroeconomic figures.
Percentage change in prices from preceding year

	1994	1995	1996	96:1	96:2	96:3	96:4	97:1
Final consumption exp. of households and NPIS	1,2	2,8	1,1	-0,4	1,6	1,6	1,5	4,5
Goods	1,4	2,4	0,6	-0,3	0,0	0,8	1,7	4,6
Services	0,8	3,4	1,6	-0,6	3,3	2,3	1,4	4,8
Direct purchases abroad by resident househ. .	2,5	0,9	3,4	3,9	5,4	3,8	0,4	-4,1
- Direct purchases by non-residents	0,9	2,2	1,7	1,4	2,0	1,7	1,7	2,6
Final consumption exp. of general government .	2,3	3,9	3,3	3,1	3,8	2,8	3,4	2,3
Final consumption exp. of central government.	1,9	3,7	2,7	2,6	3,5	2,0	2,7	2,0
Central government, civilian	1,9	3,9	2,5	2,5	3,5	1,8	2,2	2,2
Central government, defence	1,9	3,3	3,3	2,8	3,7	2,5	4,1	1,4
Final consumption exp. of local government .	2,5	4,0	3,7	3,5	4,0	3,4	3,8	2,5
Gross fixed capital formation	2,0	3,7	3,1	3,3	3,4	2,1	3,5	0,2
Crude petr., gas extr., transp. via pipelines .	2,1	3,1	3,1	2,6	3,3	2,5	4,0	3,6
Ocean transport and oil drilling	1,0	12,1	-4,6	14,0	11,5	43,1	-10,7	-11,2
Mainland industries	2,0	3,7	3,3	3,1	3,1	2,9	3,8	-0,3
Manufacturing and mining	0,9	3,1	2,0	3,2	1,2	2,3	1,7	-3,2
Production of other goods	1,6	3,3	2,1	2,8	1,6	2,4	2,0	-1,7
General government	2,1	3,8	3,2	2,7	3,5	2,6	3,9	-0,1
Dwelling service	4,3	3,4	4,8	4,4	4,7	4,9	5,0	4,4
Other services	1,3	4,2	3,4	2,8	3,2	2,8	4,5	-1,5
Changes in inventories.	5,7	-7,2	5,1	7,9	-2,0	8,6	102,1	-14,0
Gross capital formation	2,3	2,5	3,5	4,2	2,9	2,7	4,1	-1,9
Final domestic use of goods and services . . .	1,7	3,0	2,2	1,6	2,4	2,2	2,5	2,3
Demand from Mainland-Norway	1,6	3,3	2,0	1,1	2,4	2,2	2,4	3,1
Exports	-3,0	2,3	6,2	1,0	3,9	7,5	12,2	7,1
Traditional goods	1,6	7,1	-1,5	-2,9	-0,9	-2,5	0,5	-0,6
Crude oil and natural gas.	-8,6	-1,6	19,8	6,7	9,9	27,2	35,4	18,2
Ships and platforms.	-0,6	-2,2	7,2	3,3	3,9	10,9	11,1	9,9
Services	-2,6	1,0	0,4	0,7	3,6	-1,2	-1,3	2,6
Total use of goods and services	0,3	2,8	3,3	1,4	2,8	3,7	5,2	3,8
Imports	1,7	1,0	1,0	-0,1	1,6	0,9	1,6	-1,4
Traditional goods	2,1	0,7	0,4	0,6	0,3	0,1	0,5	-4,1
Crude oil	-8,1	-2,0	36,4	9,2	25,3	40,2	50,3	12,4
Ships and platforms.	1,1	-3,7	5,4	5,7	10,5	3,3	3,9	2,0
Services	1,1	2,5	1,5	-3,3	3,5	1,9	3,1	5,5
Gross domestic product	-0,0	3,4	4,1	1,8	3,2	4,6	6,5	5,4
Mainland-Norway	1,9	4,5	1,5	0,7	2,1	1,1	2,0	3,4
Oil activities and ocean transport	-9,5	-2,6	19,6	9,6	10,1	26,4	32,3	15,4
Mainland industries	1,0	3,8	1,5	0,6	2,1	1,0	2,2	4,4
Manufacturing and mining	1,9	9,4	1,1	1,5	1,2	1,5	0,3	-6,5
Production of other goods	2,3	3,5	5,5	2,5	2,3	4,2	12,1	10,8
General government	2,7	4,1	4,2	4,2	4,2	4,1	4,2	3,4
Private services	-0,2	2,0	-0,3	-1,6	1,7	-1,1	-0,1	7,2
Correction items	9,1	10,1	0,8	0,7	1,3	1,1	0,1	-3,9

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Table A5. Gross domestic product by kind of activity. At current prices. Million kroner

	1995	1996	96:1	96:2	96:3	96:4	97:1
Gross domestic product	929 006	1 017 794	246 728	244 008	255 174	271 885	261 475
Agriculture	12 142	12 278	2 523	175	6 097	3 483	2 622
Forestry and logging	3 293	2 977	1 191	754	292	741	1 037
Fishing and fish farms	7 416	7 203	2 335	1 532	1 558	1 778	1 741
Oil activities	105 963	150 313	32 708	34 932	38 789	43 885	41 955
Crude petroleum and natural gas extraction . .	103 749	147 301	32 086	34 241	37 976	42 998	40 940
Service activities incidental to oil and gas . . .	2 214	3 012	621	690	813	887	1 016
Mining and quarrying	1 812	1 827	454	476	426	471	379
Manufacturing	113 230	117 688	29 891	28 837	28 781	30 179	26 837
Food products, beverages and tobacco	16 161	17 433	4 128	4 542	4 330	4 433	4 709
Textiles, wearing apparel and leather products .	2 233	2 292	586	553	530	624	526
Paper and paper products	7 825	5 842	1 740	1 335	1 366	1 400	1 116
Printing and publishing	12 073	13 928	3 562	3 384	3 320	3 663	2 770
Petroleum refining	1 367	1 228	245	423	257	304	89
Basic chemicals	6 965	6 610	1 617	1 500	1 822	1 671	1 496
Chemical and mineral products	9 946	10 607	2 773	2 656	2 469	2 709	2 137
Metal products	12 012	10 862	2 999	2 883	2 600	2 381	2 217
Machinery, ships and other transport equipm. .	36 733	41 062	10 281	9 750	10 258	10 773	10 086
Wood products, furniture and other manuf. . . .	7 916	7 823	1 961	1 812	1 828	2 222	1 693
Electricity, gas and water supply	24 132	21 683	7 379	4 611	3 756	5 937	6 780
Construction	32 309	36 734	8 353	8 931	9 228	10 223	9 802
Wholesale and retail trade	88 444	92 868	21 924	21 740	22 597	26 609	22 963
Hotels and restaurants	11 062	11 776	2 601	2 782	3 059	3 334	2 677
Transport via pipelines	13 998	16 627	4 014	3 956	4 164	4 493	4 461
Other transport and communication	55 887	58 001	14 616	15 341	14 317	13 726	15 915
Inland water and coastal transport	16 998	17 762	4 860	4 675	4 778	3 449	3 898
Ocean transport	15 314	16 035	4 431	4 204	4 279	3 121	3 476
Inland water and coastal transport	1 683	1 727	428	472	499	328	422
Financial intermediation and insurance	37 931	35 627	7 440	9 429	8 537	10 221	10 347
Dwelling service	62 556	64 141	15 899	16 023	16 079	16 141	16 450
Business activities	48 360	53 583	13 833	12 779	12 139	14 832	14 769
Private services	47 568	51 067	13 200	12 063	13 464	12 340	14 094
General government	147 649	157 908	38 688	39 083	39 873	40 266	41 021
Central government	44 158	46 722	11 447	11 563	11 798	11 914	11 883
Civilian	32 464	34 596	8 476	8 562	8 736	8 822	8 829
Defence	11 694	12 126	2 971	3 001	3 062	3 092	3 054
Local government	103 491	111 186	27 241	27 520	28 075	28 352	29 138
FISIM 1)	-29 645	-30 018	-7 205	-7 403	-7 314	-8 097	-7 395
Value added tax and investment levy	88 345	95 385	22 281	22 607	23 689	26 808	22 017
Other taxes on products, net	37 409	41 968	9 214	10 452	10 516	11 786	9 142
Statistical discrepancy	2 144	396	531	235	351	-720	-40
Mainland industries	695 477	727 088	180 754	175 025	180 701	190 608	187 857
Market producers	606 863	673 524	163 766	159 551	168 165	182 042	176 631
Non-market producers	223 890	236 539	58 140	58 565	59 767	60 066	61 119

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Table A6. Gross domestic product by kind of activity.
Percentage change in volume from preceding year

	1995	1996	96:1	96:2	96:3	96:4	97:1
Gross domestic product	3,6	5,3	5,9	5,4	5,9	4,0	0,5
Agriculture	10,0	3,3	4,7	20,7	1,1	3,5	1,1
Forestry and logging	12,7	-21,9	-22,0	-21,9	-21,8	-21,8	-3,1
Fishing and fish farms	7,8	4,8	16,6	7,3	3,0	-6,6	-9,3
Oil activities	7,3	14,2	16,5	17,4	17,7	6,4	4,6
Crude petroleum and natural gas extraction . .	7,6	14,1	17,0	17,0	17,5	6,1	4,0
Service activities incidental to oil and gas . . .	-8,3	19,6	-5,6	42,8	28,6	20,4	41,4
Mining and quarrying	2,5	1,3	6,3	-0,8	-2,6	2,5	-9,8
Manufacturing	3,0	2,8	2,6	0,3	4,6	3,6	-4,0
Food products, beverages and tobacco	1,7	1,9	4,8	0,6	1,3	1,2	-1,7
Textiles, wearing apparel and leather products .	-3,6	1,1	-10,9	-4,3	9,9	13,4	-2,0
Paper and paper products	4,5	-6,8	-5,1	-10,4	-6,7	-4,9	-4,2
Printing and publishing	3,3	3,6	4,1	4,8	3,9	1,7	-2,4
Petroleum refining	-10,2	10,5	0,4	1,8	17,7	23,6	9,1
Basic chemicals	-0,2	-0,5	-1,6	-9,5	5,4	3,9	-4,3
Chemical and mineral products	6,7	3,3	3,3	3,6	3,2	3,3	-8,7
Metal products	-2,5	3,2	1,6	3,7	3,3	4,4	2,1
Machinery, ships and other transport equipm. .	5,2	4,1	4,0	-0,3	7,9	5,3	-6,1
Wood products, furniture and other manuf. . . .	1,6	3,3	1,1	3,0	5,3	4,2	-3,1
Electricity, gas and water supply	8,7	-15,0	7,9	-14,0	-29,7	-27,2	-22,9
Construction	7,1	2,4	4,8	1,6	1,8	1,6	0,1
Wholesale and retail trade	1,4	6,3	6,7	5,6	5,0	7,7	-1,2
Hotels and restaurants	-0,5	4,0	3,6	3,6	3,8	4,7	0,2
Transport via pipelines	7,8	18,1	16,8	17,7	21,0	17,0	10,9
Other transport and communication	7,0	9,3	6,8	7,6	15,0	7,5	6,6
Inland water and coastal transport	-3,8	2,2	-1,8	0,7	4,1	6,0	3,3
Ocean transport	-2,9	2,0	-1,9	0,2	3,9	6,1	3,1
Inland water and coastal transport	-12,1	4,0	-0,7	5,5	6,6	4,5	5,3
Financial intermediation and insurance	-1,9	-0,8	-4,1	7,4	-2,1	-3,9	-3,4
Dwelling service	0,9	0,9	0,9	0,9	0,8	0,8	1,1
Business activities	1,7	6,5	4,7	6,5	8,7	6,5	2,3
Private services	2,7	2,9	3,8	2,6	2,6	2,6	1,8
General government	1,8	2,7	2,6	2,7	2,7	2,6	2,6
Central government	1,7	1,9	2,0	1,7	2,1	1,7	0,3
Civilian	0,9	2,6	2,6	2,7	2,6	2,6	0,7
Defence	4,0	-0,3	0,3	-1,1	0,6	-0,8	-0,7
Local government	1,8	3,0	2,9	3,1	3,0	3,0	3,6
FISIM 1)	3,0	-0,1	-0,2	-0,1	-0,1	-0,1	1,6
Value added tax and investment levy	3,0	5,3	6,5	4,0	4,5	6,2	1,4
Other taxes on products, net	4,6	9,0	9,7	7,7	8,0	10,4	-4,1
Statistical discrepancy	918,7	10,5	6,7	6,7	9,2	19,4	9,6
Mainland industries	2,8	3,0	3,5	2,9	3,3	2,4	-0,5
Market producers	4,1	5,9	6,7	6,4	7,0	3,8	0,3
Non-market producers	1,2	2,0	2,1	1,9	2,0	1,9	1,6

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Table A7. Final consumption expenditure of households. At current prices. Million kroner

	1995	1996	96:1	96:2	96:3	96:4	97:1
Final consumption expenditure of households .	434 551	460 217	107 679	107 243	117 064	128 231	114 096
Food, beverages and tobacco	93 326	96 704	21 697	23 865	24 932	26 210	22 060
Clothing and footwear	25 848	26 578	5 462	6 251	6 255	8 610	5 519
Housing, water, electr., gas and other fuels . . .	100 411	104 394	27 219	24 887	24 365	27 923	29 530
Furnishings, household equipment etc.	28 107	29 473	6 624	6 096	7 207	9 547	6 727
Health	10 980	11 747	2 802	2 889	2 949	3 107	3 002
Transport	68 951	78 478	17 902	19 875	21 237	19 464	18 710
Leisure, entertainment and culture	40 343	42 852	10 480	8 861	11 534	11 978	10 611
Education	1 965	2 056	489	440	549	577	506
Hotels, cafes and restaurants	24 212	25 692	5 341	5 901	7 381	7 070	5 534
Miscellaneous goods and services	37 380	37 812	9 828	7 763	8 265	11 957	11 427
Direct purchases abroad by resident househ. . .	18 001	19 652	3 031	4 189	7 936	4 496	3 453
- Direct purchases by non-residents	-14 974	-15 223	-3 196	-3 773	-5 547	-2 707	-2 983
Goods	245 840	262 365	60 376	61 328	64 590	76 071	62 992
Services	185 684	193 423	47 468	45 500	50 085	50 371	50 635
Services, dwellings	80 726	82 897	20 455	20 721	20 780	20 941	21 209
Other services	104 958	110 526	27 013	24 778	29 305	29 430	29 426

Table A8. Final consumption expenditure of households.
Percentage change in volume from preceding year

	1995	1996	96:1	96:2	96:3	96:4	97:1
Final consumption expenditure of households .	3,1	4,9	5,6	3,5	4,7	5,6	1,3
Food, beverages and tobacco	3,8	1,7	3,4	0,5	0,4	2,6	-2,3
Clothing and footwear	-4,1	6,3	5,3	4,1	6,6	8,5	-1,2
Housing, water, electr., gas and other fuels . . .	1,5	1,5	3,6	1,0	1,0	0,4	1,6
Furnishings, household equipment etc.	5,2	3,7	6,4	1,1	2,2	4,7	0,8
Health	-0,3	3,0	1,7	2,5	3,5	4,4	5,3
Transport	3,6	14,0	13,4	11,7	13,1	17,8	1,0
Leisure, entertainment and culture	4,1	6,0	6,9	6,1	3,5	7,8	-0,3
Education	-1,2	0,0	-0,4	1,1	-1,1	0,6	-0,3
Hotels, cafes and restaurants	4,8	3,9	3,9	3,4	3,9	4,2	1,5
Miscellaneous goods and services	4,4	3,1	3,1	3,3	2,6	3,4	2,6
Direct purchases abroad by resident househ. . .	0,8	5,6	8,5	-6,9	13,0	4,7	18,8
- Direct purchases by non-residents	-6,9	-0,0	8,0	-3,2	-0,4	-3,6	-9,1
Goods	2,8	6,0	7,5	4,5	4,8	7,3	-0,2
Services	2,8	2,8	3,2	2,6	2,8	2,8	1,5
Services, dwellings	1,2	0,9	1,2	0,8	0,7	1,0	1,2
Other services	4,1	4,3	4,7	4,1	4,3	4,2	1,7

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Table A9. Gross fixed capital formation by type of capital goods and economic activity.
At current prices. Million kroner

	1995	1996	96:1	96:2	96:3	96:4	97:1
Gross fixed capital formation	192 843	208 375	45 735	49 725	52 422	60 493	51 445
Buildings and structures	78 151	82 932	19 080	19 633	20 604	23 615	20 037
Oil exploration, drilling, pipelines for oil	17 939	20 413	4 119	4 921	5 852	5 521	5 385
Oil platforms etc.	25 911	24 176	4 983	6 446	6 256	6 491	7 064
Ships and boats.	5 029	7 433	1 680	1 181	1 861	2 711	2 870
Other transport equipment.	19 776	25 355	5 876	6 416	5 678	7 385	5 855
Machinery and equipment.	46 035	48 066	9 997	11 128	12 170	14 770	10 233
Agriculture.	5 054	5 293	914	1 612	1 493	1 274	931
Forestry and logging	533	550	137	137	137	139	139
Fishing and fish farms	535	551	148	113	159	131	206
Oil activities	41 730	40 680	8 676	10 626	10 396	10 983	11 551
Crude petroleum and natural gas extraction.	42 066	41 499	8 974	10 777	10 409	11 340	11 540
Service activities incidental to oil and gas	-335	-819	-298	-151	-13	-357	11
Mining and quarrying.	462	375	76	66	127	105	38
Manufacturing.	15 993	17 821	3 358	4 206	4 569	5 688	3 418
Food products, beverages and tobacco	3 305	3 230	592	700	674	1 264	616
Textiles, wearing apparel and leather product.	196	209	41	46	71	51	61
Paper and paper products.	1 826	1 448	339	284	243	582	213
Printing and publishing.	880	966	204	228	227	307	200
Petroleum refining	425	324	73	43	140	67	23
Basic chemicals.	2 171	1 708	472	464	446	326	338
Chemical and mineral products.	1 523	2 034	345	438	590	661	347
Metal products	1 368	2 922	432	735	763	992	755
Machinery, ships and other transport equipm.	2 975	3 122	606	790	767	959	544
Wood products, furniture and other manuf.	1 323	1 859	255	478	648	479	321
Electricity, gas and water supply	4 953	4 698	797	1 083	1 127	1 691	578
Construction.	945	1 004	258	266	224	256	281
Wholesale and retail trade.	18 374	21 337	5 057	5 036	5 095	6 149	4 937
Hotels and restaurants.	1 806	2 009	522	494	497	496	486
Transport via pipelines.	6 087	5 993	1 224	1 586	1 878	1 304	1 098
Other transport and communications.	18 887	23 304	5 031	5 654	5 450	7 169	5 506
Water transport	4 591	7 009	1 563	1 095	1 747	2 603	2 714
Ocean transport.	3 899	6 286	1 366	972	1 578	2 369	2 523
Inland water and costal transport	692	722	197	123	169	233	191
Financial intermediation and insurance	4 234	4 876	1 043	1 095	1 261	1 477	1 140
Dwelling service	26 481	26 089	6 341	6 189	6 586	6 973	6 969
Business activities	6 433	8 115	2 010	1 984	1 920	2 201	2 052
Other private service activities	6 378	6 903	1 751	1 593	1 734	1 824	1 767
General government	29 368	31 767	6 829	6 889	8 020	10 029	7 633
Central government	13 466	14 110	3 205	2 989	3 462	4 454	3 324
Lokal government	15 902	17 657	3 624	3 900	4 558	5 575	4 309
Mainland industries.	141 126	155 416	34 469	36 541	38 570	45 837	36 273

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Table A10. Gross fixed capital formation by type of capital goods and economic activity.
Percentage change in volume from preceding year

	1995	1996	96:1	96:2	96:3	96:4	97:1
Gross fixed capital formation	3,7	4,8	1,7	1,7	9,9	5,6	12,3
Buildings and structures	14,3	1,6	4,1	0,3	1,4	0,8	0,7
Oil exploration, drilling, pipelines for oil	-18,5	10,7	13,8	6,3	6,7	17,1	25,0
Oil platforms etc.	-5,4	-10,1	-17,2	-4,3	3,6	-20,2	37,8
Ships and boats.	-30,7	51,8	-26,7	-40,7	.	91,1	84,5
Other transport equipment.	17,6	22,4	15,4	22,4	19,1	32,7	3,3
Machinery and equipment	4,6	4,1	4,1	4,3	2,7	5,1	9,2
Agriculture	9,3	2,6	1,7	3,7	2,2	2,4	4,4
Forestry and logging	2,1	-0,4	-0,6	-0,4	-0,1	-0,4	-0,1
Fishing and fish farms	-35,1	2,3	-19,7	-35,3	58,5	63,8	48,9
Oil activities	-9,9	-5,8	-12,9	-2,1	3,4	-11,1	28,7
Crude petroleum and natural gas extraction.	-10,2	-4,6	-9,6	-0,5	1,2	-9,0	24,0
Service activities incidental to oil and gas	-37,3	143,9	.	.	-93,9	160,6	.
Mining and quarrying	69,8	-21,6	-26,8	-39,6	15,0	-31,9	-47,2
Manufacturing	41,3	9,3	19,7	7,2	4,4	9,4	5,2
Food products, beverages and tobacco	18,6	-4,6	5,5	-20,7	-8,7	5,1	6,8
Textiles, wearing apparel and leather product.	-3,2	5,5	-34,1	-16,6	76,0	24,5	55,2
Paper and paper products	186,3	-22,4	69,6	-34,2	-62,5	0,3	-33,2
Printing and publishing	-14,3	8,4	3,6	53,8	38,8	-20,2	2,7
Petroleum refining	57,1	-28,1	-5,7	-74,2	37,8	-34,8	-66,6
Basic chemicals.	174,0	-22,7	35,9	-32,8	-34,4	-33,6	-29,3
Chemical and mineral products	21,8	30,2	22,1	29,2	15,1	54,9	5,0
Metal products	48,1	106,7	29,5	155,1	115,8	126,9	77,9
Machinery, ships and other transport equipm.	26,9	4,3	12,0	29,7	-5,6	-7,3	-6,3
Wood products, furniture and other manuf.	23,3	39,3	26,5	48,6	103,4	-3,6	33,8
Electricity, gas and water supply	2,0	-7,0	-2,2	-13,9	-10,7	-1,4	-26,8
Construction.	22,5	2,8	1,5	7,5	1,8	0,6	9,6
Wholesale and retail trade	11,5	12,4	12,4	12,1	10,9	14,1	-1,6
Hotels and restaurants.	11,9	7,4	15,7	1,6	6,7	6,2	-7,1
Transport via pipelines.	-32,7	-2,9	59,9	0,7	-20,1	-12,4	-12,8
Other transport and communications	26,3	19,5	17,9	24,6	19,3	16,9	13,9
Water transport	-29,6	57,4	-26,6	-40,1	.	87,0	87,5
Ocean transport.	-32,7	68,9	-28,7	-41,2	.	99,5	101,5
Inland water and costal transport	-8,8	-0,3	-9,9	-30,3	35,5	14,2	-2,3
Financial intermediation and insurance	23,4	10,8	9,1	6,1	10,8	16,1	7,4
Dwelling service	13,0	-6,0	-8,0	-8,2	-3,6	-4,1	5,3
Business activities	2,2	21,3	17,5	19,4	21,1	27,3	1,9
Other private service activities	6,0	5,5	6,5	4,1	4,9	6,3	1,7
General government	1,6	4,8	4,9	2,0	4,3	7,1	11,9
Central government	-3,7	1,4	1,2	-6,3	0,2	8,3	5,8
Lokal government	6,7	7,7	8,4	9,2	7,7	6,2	17,4
Mainland industries.	12,9	6,6	6,6	5,0	6,3	8,3	5,6

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NATIONAL ACCOUNTS FOR NORWAY

Table A11. Exports of goods and services. At current prices. Million kroner

	1995	1996	96:1	96:2	96:3	96:4	97:1
Exports.	353 296	412 679	99 005	98 612	102 870	112 192	106 429
Goods	267 236	321 688	77 583	76 267	78 126	89 712	83 915
Crude oil and natural gas	113 231	156 688	34 593	36 717	40 000	45 378	43 150
Ships, new.	4 138	4 257	641	1 249	596	1 771	1 288
Ships, second-hand	5 791	3 765	1 584	718	655	808	333
Oil platforms and modules, new	63	59	11	12	25	11	22
Oil platforms, second-hand	492	943	344	172	34	393	18
Direct exports in relation to oil activities	97	127	24	24	31	48	30
Other goods	143 424	155 849	40 386	37 375	36 785	41 303	39 074
Agriculture, forestry and fishing	6 767	7 035	1 683	1 798	1 654	1 900	1 870
Mining and quarrying	2 271	2 342	662	600	549	531	478
Manufacturing products	133 142	145 484	37 470	34 762	34 485	38 767	36 678
Food products, beverages and tobacco	17 164	19 528	5 277	4 066	4 607	5 578	5 007
Textiles, wearing apparel etc.	2 138	2 207	546	515	540	606	557
Wood products	3 003	2 864	678	710	710	766	718
Paper and paper products	12 864	11 593	3 262	2 807	2 792	2 732	2 555
Printing and publishing	378	559	147	126	131	155	118
Refined petroleum products	12 996	17 147	3 927	4 036	4 128	5 056	5 069
Basic chemicals	12 019	12 107	3 204	2 775	3 084	3 044	2 941
Chemical and mineral products	8 923	9 597	2 364	2 301	2 516	2 416	2 393
Metal products	29 798	30 756	8 159	7 723	7 048	7 826	7 559
Machinery and transport equipment	31 065	35 970	9 109	8 981	8 172	9 708	8 945
Other manufacturing products n.e.c.	2 794	3 156	797	722	757	880	816
Electricity	1 244	988	571	215	97	105	48
Services	86 060	90 991	21 422	22 345	24 744	22 480	22 514
Gross receipts from shipping	45 198	46 801	11 475	11 743	11 777	11 806	11 860
Gross receipts from oil drilling	624	714	177	177	180	180	186
Direct exports in relation to oil activities	1 159	1 131	264	263	374	230	394
Transport via pipelines	2 176	3 424	736	685	855	1 148	1 074
Direct purchases by non-residents	14 974	15 223	3 196	3 773	5 547	2 707	2 983
Other services	21 929	23 698	5 574	5 704	6 011	6 409	6 017

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Table A12. Exports of goods and services.
Percentage change in volume from preceding year

	1995	1996	96:1	96:2	96:3	96:4	97:1
Exports	3,6	10,0	10,7	10,1	8,9	10,3	0,4
Goods	5,9	11,5	12,8	13,1	9,4	10,9	-0,2
Crude oil and natural gas	8,1	15,5	15,8	19,3	19,3	8,6	5,5
Ships, new	-14,2	-1,4	14,5	-46,7	-39,8	365,0	93,3
Ships, second-hand	21,9	-39,9	12,7	-7,0	-74,0	-50,4	-80,4
Oil platforms and modules, new	455,4	-9,7	-10,6	.	-47,9	164,2	92,4
Oil platforms, second-hand	-41,0	91,7	.	364,9	-86,6	125,9	-94,8
Direct exports in relation to oil activities	59,6	26,8	1,9	-3,9	20,2	86,0	20,6
Other goods	4,2	10,3	9,1	11,4	8,6	11,9	-2,7
Agriculture, forestry and fishing	14,8	14,1	11,1	26,5	25,0	-0,7	11,9
Mining and quarrying	-2,2	2,4	24,0	6,8	-0,8	-15,7	-19,8
Manufacturing products	3,4	10,7	8,7	11,1	8,6	14,3	-2,4
Food products, beverages and tobacco	2,2	11,8	16,3	17,0	6,5	8,6	-4,0
Textiles, wearing apparel etc.	-5,0	1,9	-9,2	1,1	5,5	12,0	2,1
Wood products	-4,3	1,0	-10,9	5,7	7,4	3,5	4,5
Paper and paper products	4,6	3,6	-2,7	3,8	7,8	6,5	-10,0
Printing and publishing	-16,1	56,6	95,3	71,0	28,7	37,6	-20,3
Refined petroleum products	0,0	10,0	-0,8	-1,6	9,4	42,5	-0,5
Basic chemicals	-3,2	6,5	6,4	2,5	2,9	14,6	-9,0
Chemical and mineral products	7,5	8,6	8,6	-2,8	17,3	12,2	9,3
Metal products	-4,7	13,2	2,6	12,7	12,2	26,9	4,2
Machinery and transport equipment	15,0	13,4	20,8	23,6	7,4	3,9	-6,7
Other manufacturing products n.e.c.	8,1	11,0	15,6	14,8	1,8	12,6	3,3
Electricity	80,6	-49,9	32,8	-52,8	-76,8	-84,6	-88,6
Services	-2,8	5,3	4,1	1,1	7,6	8,4	2,4
Gross receipts from shipping	0,2	2,0	-1,9	0,2	3,9	6,1	5,2
Gross receipts from oil drilling	-4,4	10,6	12,1	8,9	12,7	8,8	1,1
Direct exports in relation to oil activities	-34,5	-8,9	-26,8	-11,3	11,1	-6,7	37,0
Transport via pipelines	-3,2	47,4	17,4	25,6	55,2	96,5	42,3
Direct purchases by non-residents	-6,9	-0,0	8,0	-3,2	-0,4	-3,6	-9,1
Other services	-3,5	13,0	17,6	4,4	18,5	11,4	-3,8

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Table A13. Imports of goods and services. At current prices. Million kroner

	1995	1996	96:1	96:2	96:3	96:4	97:1
Imports	297 471	319 986	75 636	75 250	81 345	87 755	78 384
Goods	216 919	238 348	57 986	56 120	57 920	66 322	57 864
Ships	6 324	6 325	1 799	652	1 494	2 380	2 303
Oil platforms and modules	359	282	33	32	192	25	36
Direct imports related to other oil activitie	6 180	7 683	1 944	1 656	2 028	2 055	1 914
Other goods	204 056	224 058	54 210	53 780	54 206	61 862	53 611
Agriculture, forestry and fishing	7 890	8 088	2 299	1 907	1 730	2 152	1 935
Crude oil	1 121	1 445	218	255	261	711	380
Mining and quarrying	2 802	2 906	835	663	667	741	722
Manufacturing products	191 995	208 274	50 612	50 229	50 365	57 068	49 787
Food products, beverages and tobacco	8 927	9 493	2 162	2 339	2 505	2 487	2 227
Textiles, wearing apparel etc.	15 201	15 344	4 059	2 971	4 519	3 795	4 161
Wood products	3 883	4 104	947	1 031	998	1 128	1 007
Paper and paper products	6 469	6 370	1 693	1 545	1 486	1 646	1 530
Printing and publishing	2 799	3 386	836	712	852	986	820
Refined petroleum products	8 828	9 362	2 084	2 232	2 483	2 563	2 505
Basic chemicals	9 449	9 070	2 306	2 363	2 264	2 137	2 172
Chemical and mineral products	20 551	21 757	5 277	5 511	5 285	5 684	5 174
Metal products	21 043	22 701	5 685	5 735	5 260	6 021	5 437
Machinery and transport equipment	77 813	83 343	20 618	20 225	19 308	23 192	19 627
Other manufacturing products n.e.c.	6 587	7 049	1 683	1 556	1 658	2 152	1 774
Transport equipment not produced in Norway	10 445	16 295	3 262	4 009	3 747	5 277	3 353
Electricity	248	3 345	246	726	1 183	1 190	787
Services	80 552	81 638	17 650	19 130	23 425	21 433	20 520
Gross expenditures for shipping	19 726	20 052	4 601	4 863	4 920	5 668	5 786
Gross expenditures for oil drilling	1 354	1 227	359	288	306	274	219
Direct imports related to other oil activitie	4 257	4 140	795	1 092	1 095	1 158	1 230
Direct purchases abroad by residents	26 923	29 128	5 407	6 581	10 254	6 886	5 770
Other services	28 292	27 091	6 488	6 306	6 850	7 447	7 515

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NATIONAL ACCOUNTS FOR NORWAY

Table A14. Imports of goods and services.
Percentage change in volume from preceding year

	1995	1996	96:1	96:2	96:3	96:4	97:1
Imports	5,5	6,5	7,3	1,2	8,5	8,9	5,1
Goods	9,3	8,9	9,2	5,6	10,9	10,0	3,5
Ships	-13,4	-5,6	-20,4	-58,6	78,2	18,1	26,2
Oil platforms and modules	102,7	-21,4	-32,3	-26,8	198,8	-83,7	-10,1
Direct imports related to other oil activitie	40,0	20,9	132,6	71,5	23,5	-30,8	-5,3
Other goods	9,5	9,2	8,6	6,6	9,0	12,3	3,0
Agriculture, forestry and fishing	7,0	3,8	3,3	-8,9	8,8	13,7	-15,6
Crude oil	32,0	-5,5	-38,7	-42,8	-31,1	179,9	55,1
Mining and quarrying	2,0	1,0	27,3	-16,1	-2,1	-0,8	-15,9
Manufacturing products	9,7	8,5	8,8	7,0	7,6	10,3	2,4
Food products, beverages and tobacco	4,0	4,5	11,2	-0,0	0,7	7,8	5,5
Textiles, wearing apparel etc.	1,6	-1,3	-10,0	-0,1	-0,8	8,4	2,3
Wood products	3,2	8,2	0,0	5,9	15,2	12,0	6,4
Paper and paper products	5,9	1,5	-1,1	0,5	1,2	5,5	1,0
Printing and publishing	7,6	12,6	14,3	4,6	19,4	11,8	15,2
Refined petroleum products	14,8	-8,2	-4,4	-10,8	-8,9	-8,5	7,9
Basic chemicals	8,3	2,5	9,0	0,5	3,2	-2,3	-9,9
Chemical and mineral products	9,9	9,6	10,6	6,8	8,8	12,3	-2,2
Metal products	1,0	13,9	17,4	9,2	12,6	16,6	0,6
Machinery and transport equipment	17,2	7,7	11,2	9,7	6,6	4,0	3,0
Other manufacturing products n.e.c.	7,5	3,4	4,4	4,8	3,6	1,5	7,2
Transport equipment not produced in Norway	-3,8	48,0	28,8	23,8	47,0	96,0	8,2
Electricity	-54,5	.	155,9	391,0	.	.	489,7
Services	-3,6	-0,1	1,7	-10,1	2,8	5,6	10,2
Gross expenditures for shipping	0,2	2,0	-1,9	0,2	3,9	6,1	15,6
Gross expenditures for oil drilling	50,6	-11,2	38,7	-15,9	-30,8	-19,8	-41,6
Direct imports related to other oil activitie	-36,8	-5,5	16,1	-31,4	-19,6	56,6	48,4
Direct purchases abroad by residents	1,9	4,7	7,4	-3,3	9,6	3,8	11,3
Other services	-5,2	-5,1	-2,6	-18,4	-0,7	2,7	3,4

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Table A15. Balance of payments. Summary. At current prices. Million kroner

	1995	1996	95:1	95:2	95:3	95:4	96:1	96:2	96:3	96:4
Exports	353 296	412 679	88 519	86 188	87 899	90 690	99 005	98 612	102 870	112 192
Goods	267 236	321 688	68 084	64 865	64 609	69 678	77 583	76 267	78 126	89 712
Services	86 060	90 991	20 435	21 323	23 290	21 012	21 422	22 345	24 744	22 480
Imports	297 471	319 986	70 591	73 217	74 360	79 303	75 636	75 250	81 345	87 755
Goods	216 919	238 348	52 636	52 669	51 996	59 618	57 986	56 120	57 920	66 322
Services	80 552	81 638	17 955	20 548	22 364	19 685	17 650	19 130	23 425	21 433
External balance	55 825	92 693	17 928	12 971	13 539	11 387	23 369	23 362	21 525	24 437
Primary income and transfers from abroad	36 961	39 607	9 238	8 846	9 320	9 557	10 717	9 668	9 235	9 987
Interest	21 864	23 152	5 712	5 063	5 294	5 795	6 166	5 476	5 413	6 097
Dividends etc.	1 699	2 038	230	695	459	315	1 062	404	275	297
Reinvested earnings	3 998	3 613	999	999	999	1 001	352	1 105	1 067	1 089
Current transfers to Norway	9 400	10 804	2 297	2 089	2 568	2 446	3 137	2 683	2 480	2 504
Primary income and transfers to abroad	61 520	59 594	16 617	17 313	11 850	15 740	14 705	15 160	12 505	17 224
Interest	24 304	22 983	6 437	6 658	4 737	6 472	6 067	6 057	3 876	6 983
Dividends etc.	8 044	9 488	3 050	3 934	447	613	2 265	3 982	2 775	466
Reinvested earnings	5 101	4 656	1 275	1 275	1 275	1 276	1 283	-109	689	2 793
Current transfers from Norway	24 071	22 467	5 855	5 446	5 391	7 379	5 090	5 230	5 165	6 982
Primary income and transfers from abroad, net	-24 559	-19 987	-7 379	-8 467	-2 530	-6 183	-3 988	-5 492	-3 270	-7 237
Current external balance, net	31 266	72 706	10 549	4 504	11 009	5 204	19 381	17 870	18 255	17 200
Total net inflow on capital transactions	-1 067	-1 011	-65	-66	-60	-876	-17	-20	-55	-919
Net lending	30 199	71 695	10 484	4 438	10 949	4 328	19 364	17 850	18 200	16 281

B-blad

Returadresse:
Statistisk sentralbyrå
Postboks 8131 Dep.
N-0033 Oslo

Statistics Norway
Sales- and subscription service
P.O. Box 8131 Dep.
N-0033 Oslo

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Telefax: +47 22 86 49 76

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