FINANSDEPARTEMENTET

Economic developments in the Nordic region in general and in Norway in particular

State secretary Roger Schjerva

Activity is picking up in many OECD countries, but uenmployment is still high

Gross domestic product
Volum indices. Seasonally adjusted. 1 quarter 2008 = 100
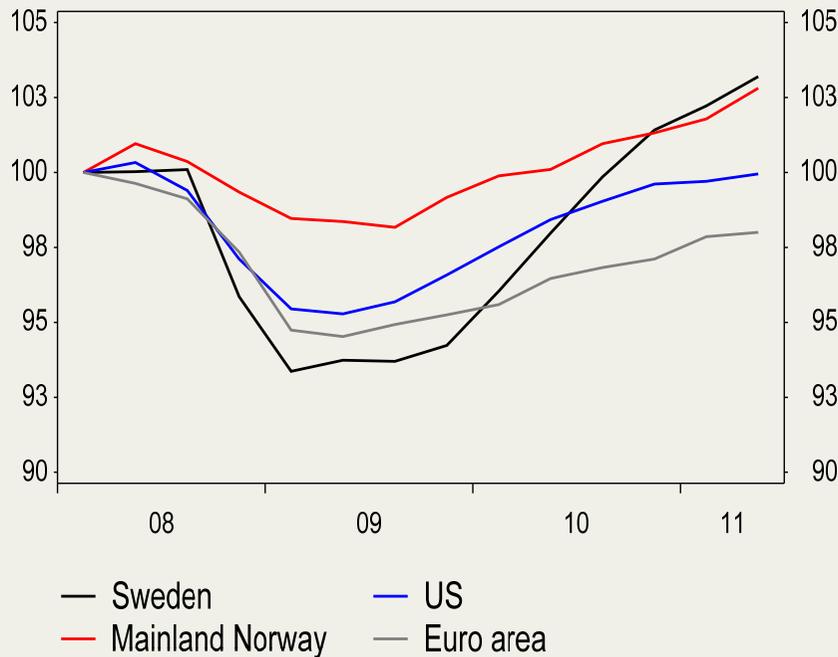
Unemployment rate
(LFS). Per cent of the labour force

— Sweden   — US
— Mainland Norway   — Euro area

— Euro area   — US   — Sweden   — Norway
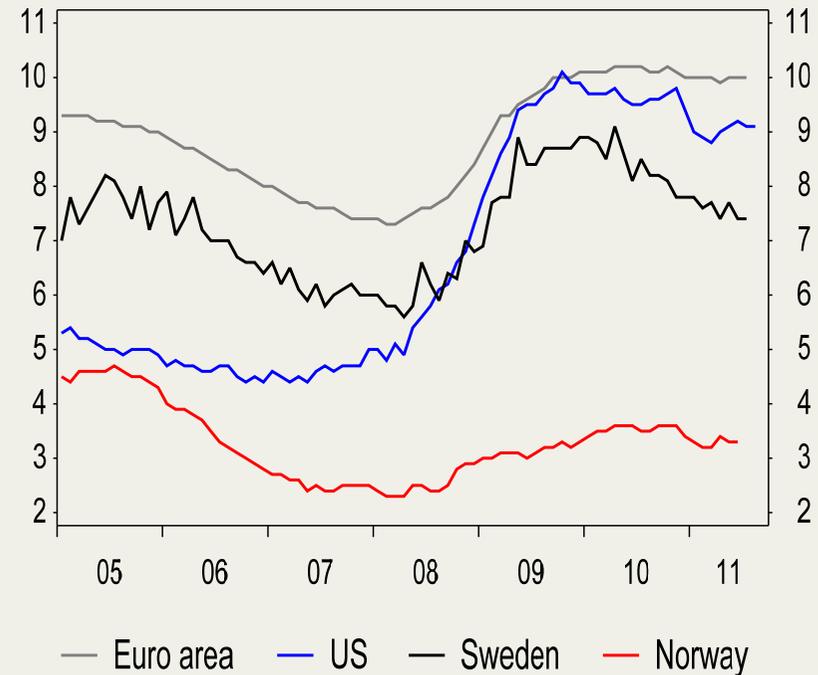
Sources: Reuters EcoWin and Ministry of Finance

Public debt is increasing
Pct of GDP
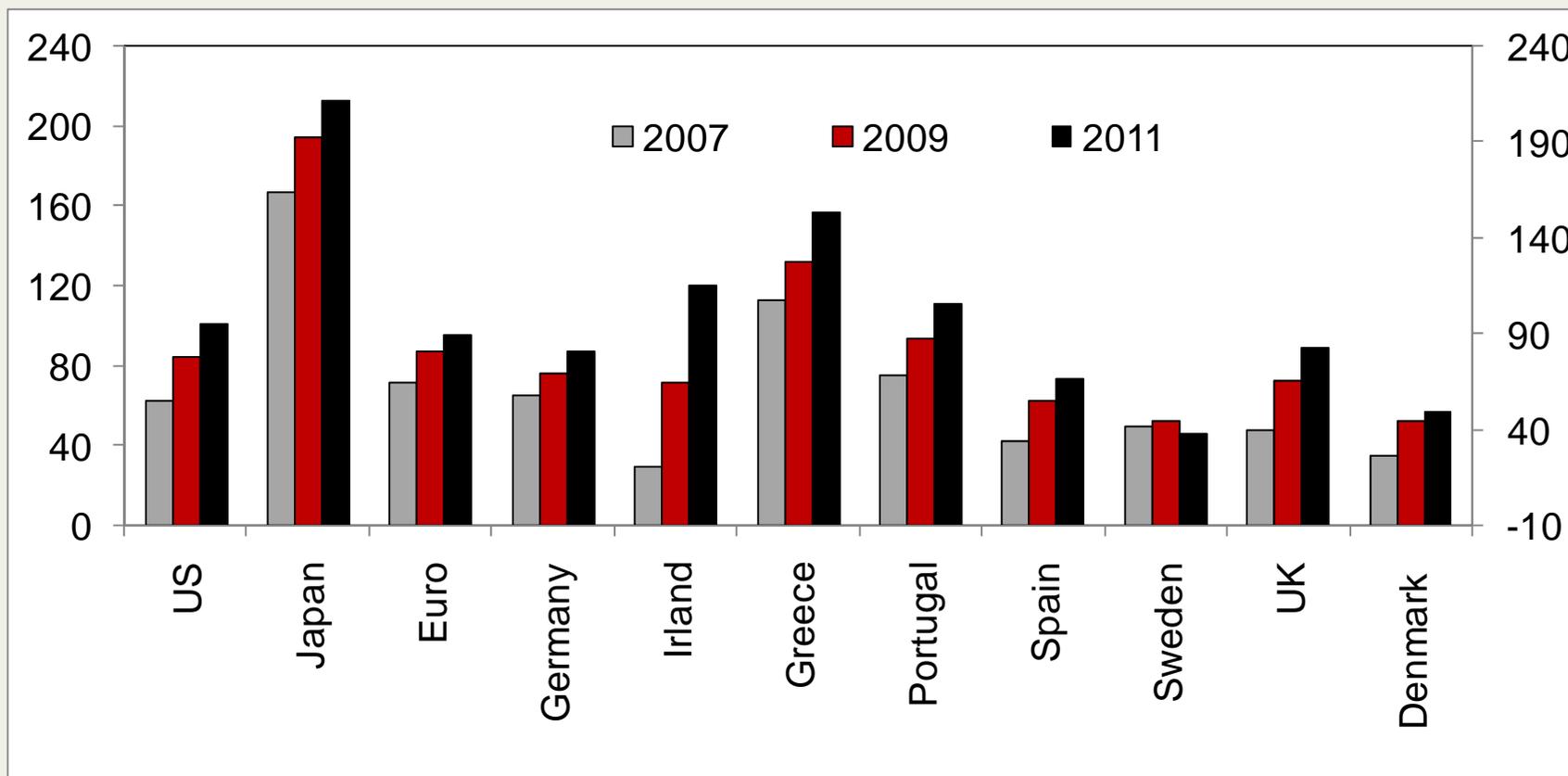
Source: OECD

High financial turbulence as a result of uncertainty concerning the sustainability of public finances

Borrowing costs. Spread over german 10 year bonds. Percentage points

- Spain
- Greece
- Ireland
- Italy
- Portugal
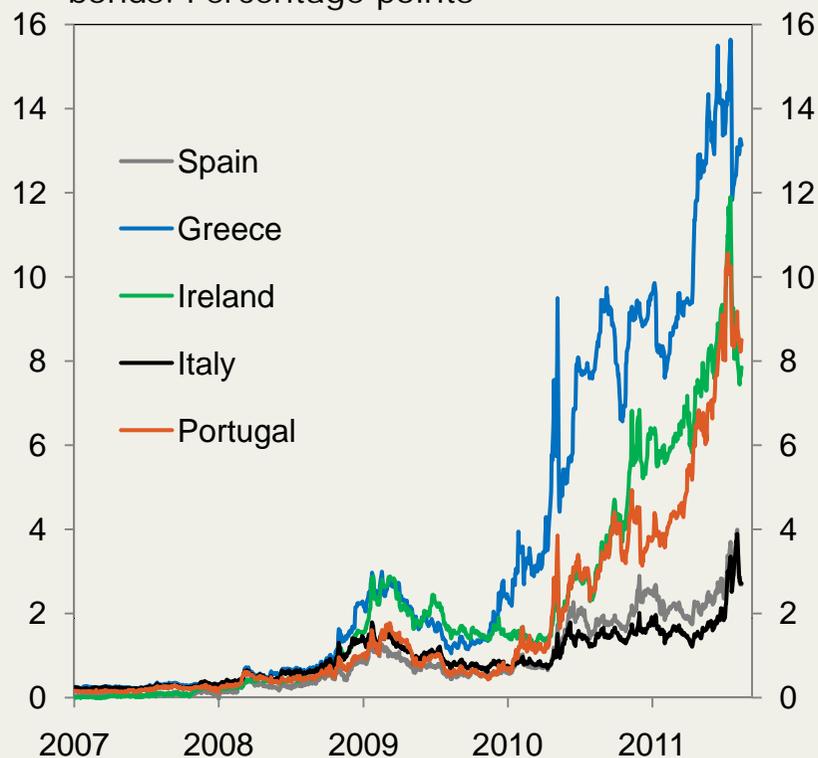
International equity indices. Indices 2008 = 100

- Euro area, Euronext 100
- Norway, Oslo stock exchange
- US, S&P 500

Sources: Reuters EcoWin and Ministry of Finance

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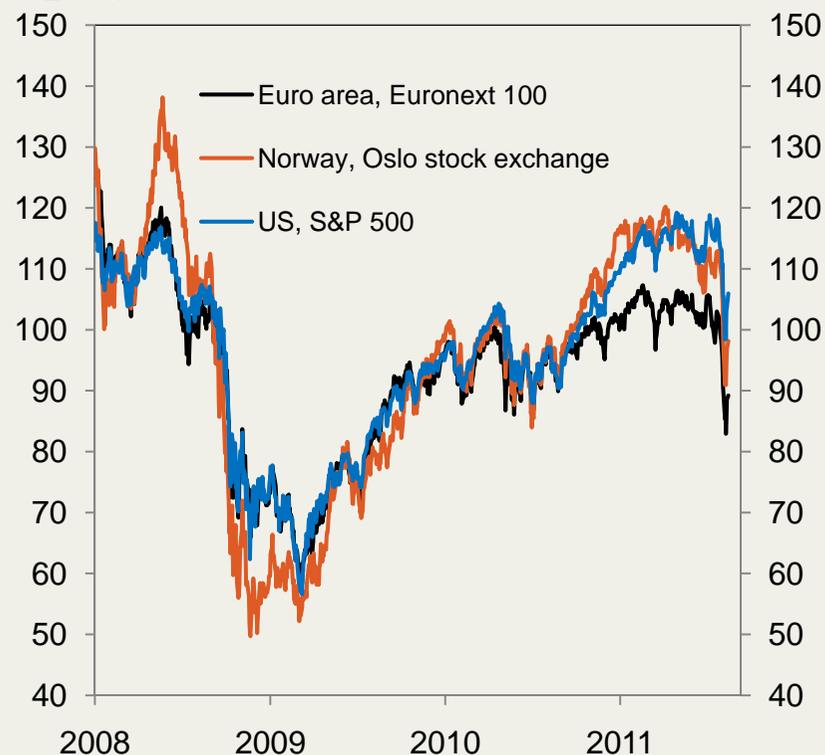
Norway and Sweden perform better than the other Nordic countries

Gross domestic product
Volum indices. Seasonally adjusted. 1 quarter 2008 = 100

Unemployment rate
(LFS). Per cent of the labour force
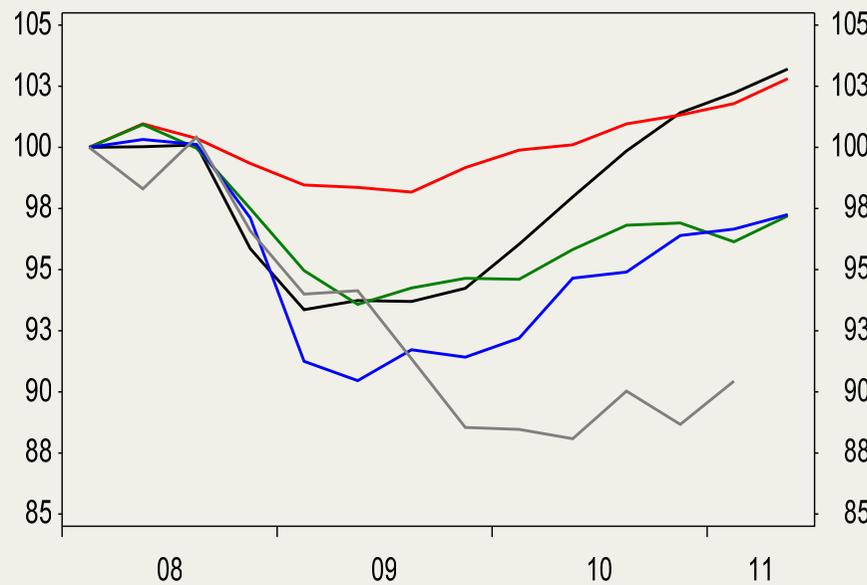
— Sweden   — Denmark   — Iceland
— Mainland Norway   — Finland
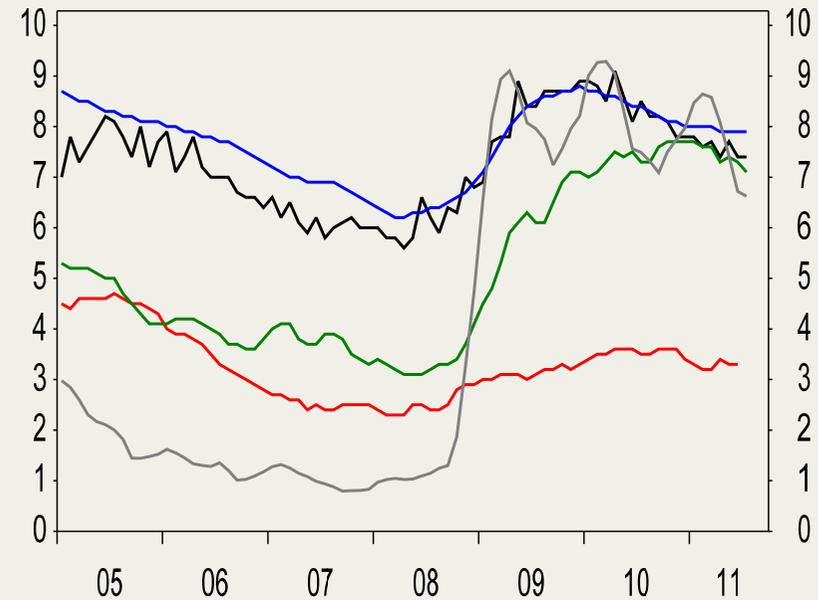
— Sweden   — Finland   — Iceland
— Norway   — Denmark

Sources: Reuters EcoWin and the Ministry of Finance

The Norwegian economy has gone through a period with exceptionally high income growth

Production and income.
Indices 1978=100
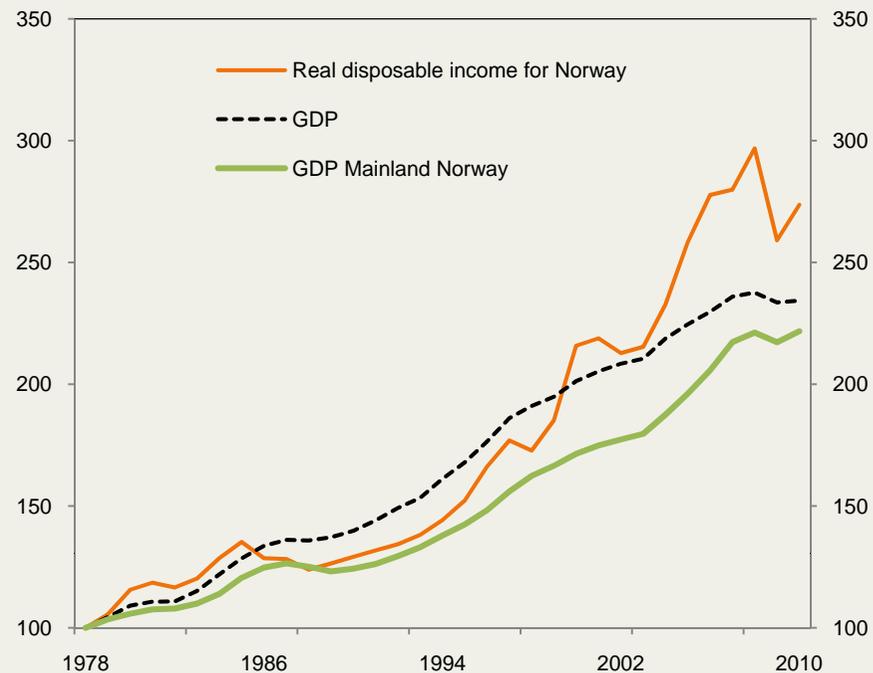
Sources: Statistics Norway and Ministry of Finance

# The petroleum sector in relation to the Norwegian economy. 2010

21% — The petroleum sector's share of GDP

26% — The petroleum sector's share of state revenues

2% — The petroleum sector's share of total employment

47% — The petroleum sector's share of total exports
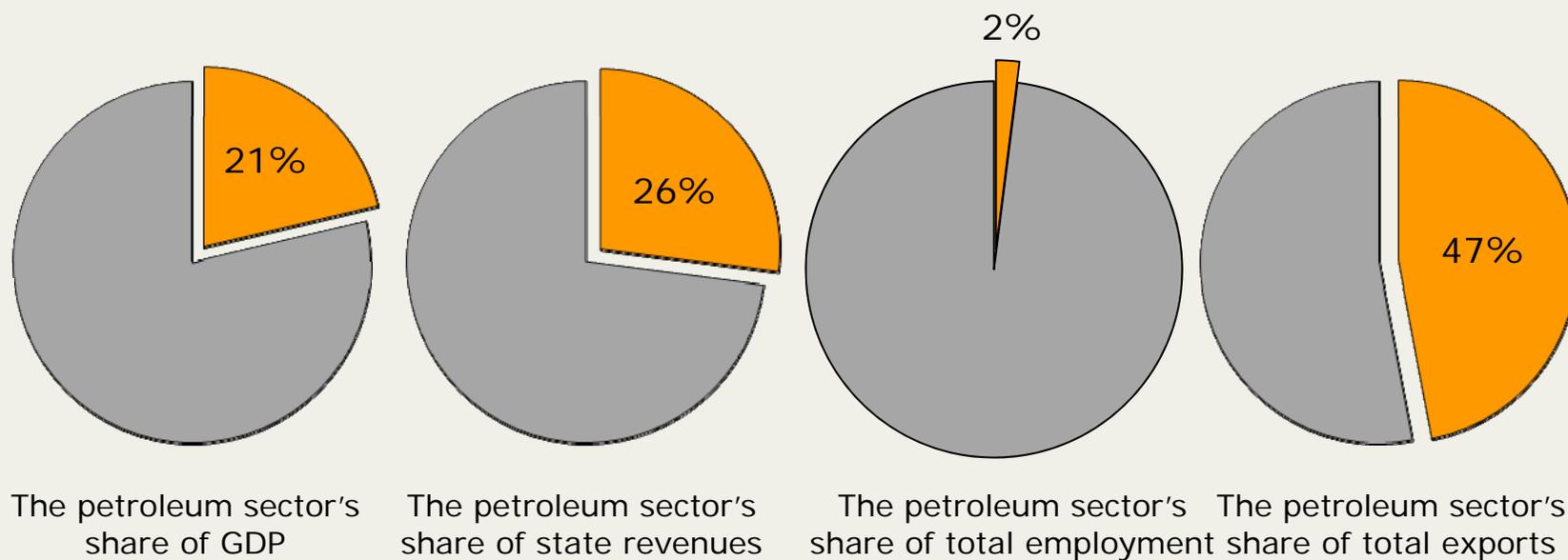
Source: Norwegian Petroleum Directorate

Challenge for economic policy: Norwegian export sector is vulnerable

Norwegian real exchange rate. Deviation from mean over the period. Per cent.

Relative consumer prices

Relative wages
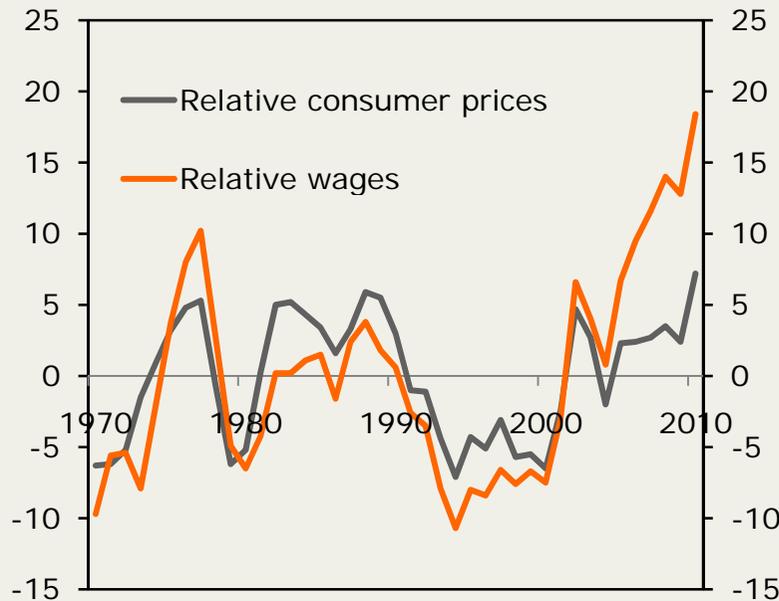
**Employment in the manufacturing sector** 1000 persons
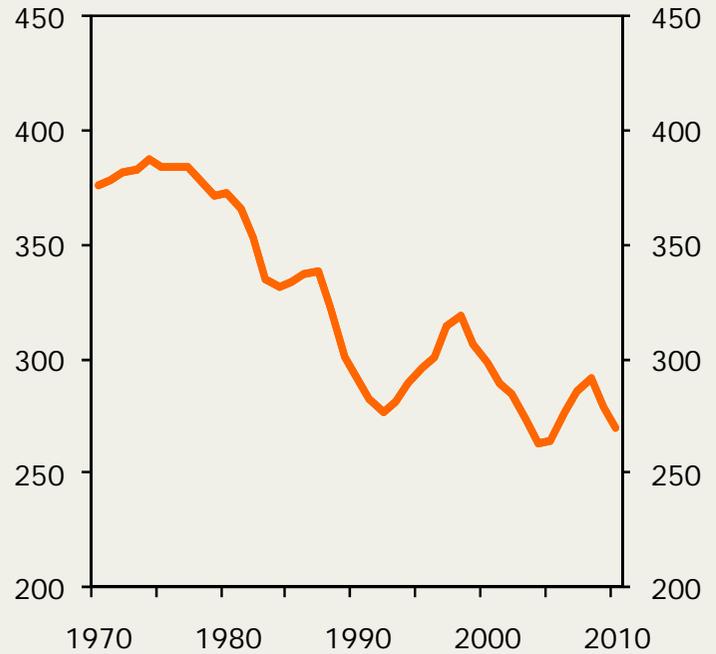
Sources: Norges Bank and Statistics Norway

High prices on Norwegian export goods have contributed to high profitability in manufacturing despite high costs

Terms of trade.
Index 2000=100
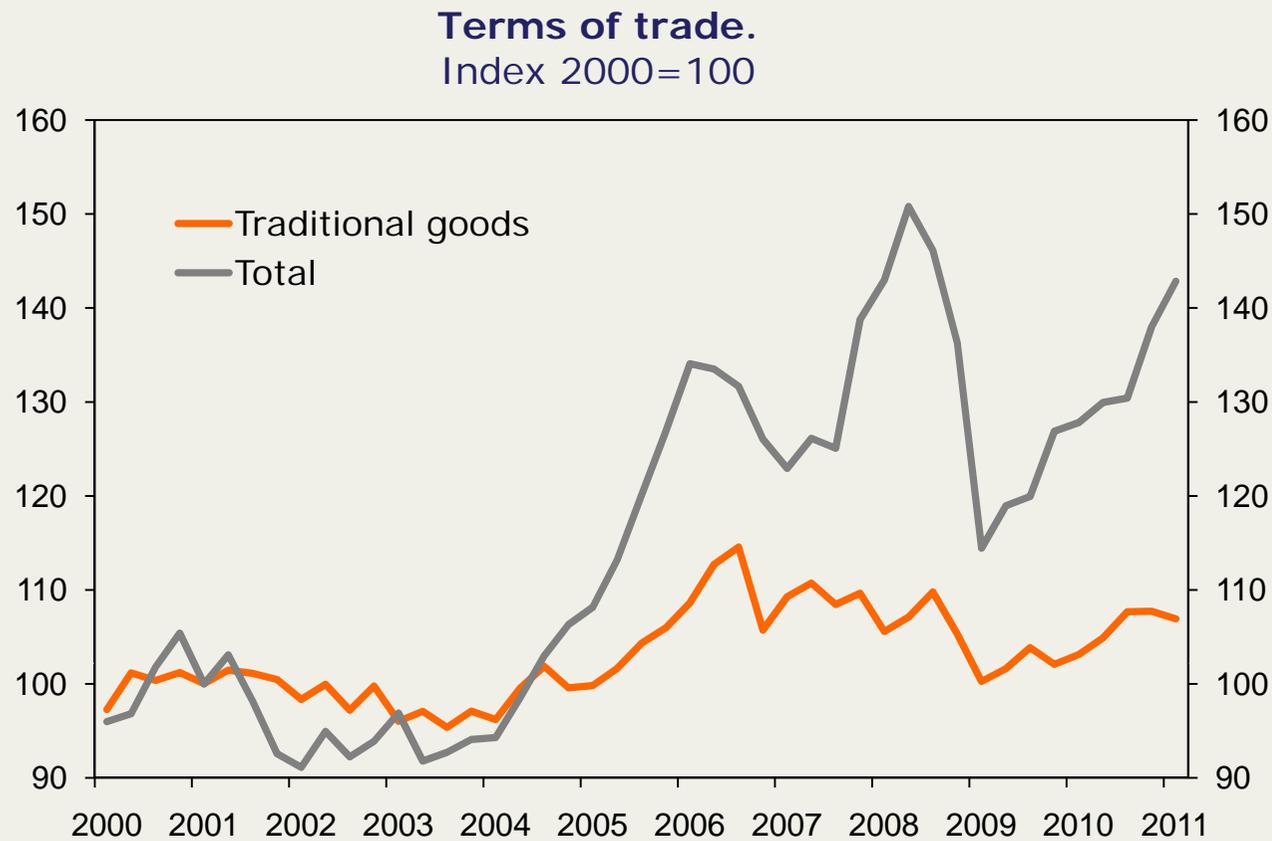
Sources: Statistics Norway and Ministry of Finance

Challenge for economic policy II: The phasing in of oil revenues is soon to peak whereas the increase in pension spending lies ahead of us

Per cent of GDP for Mainland Norway
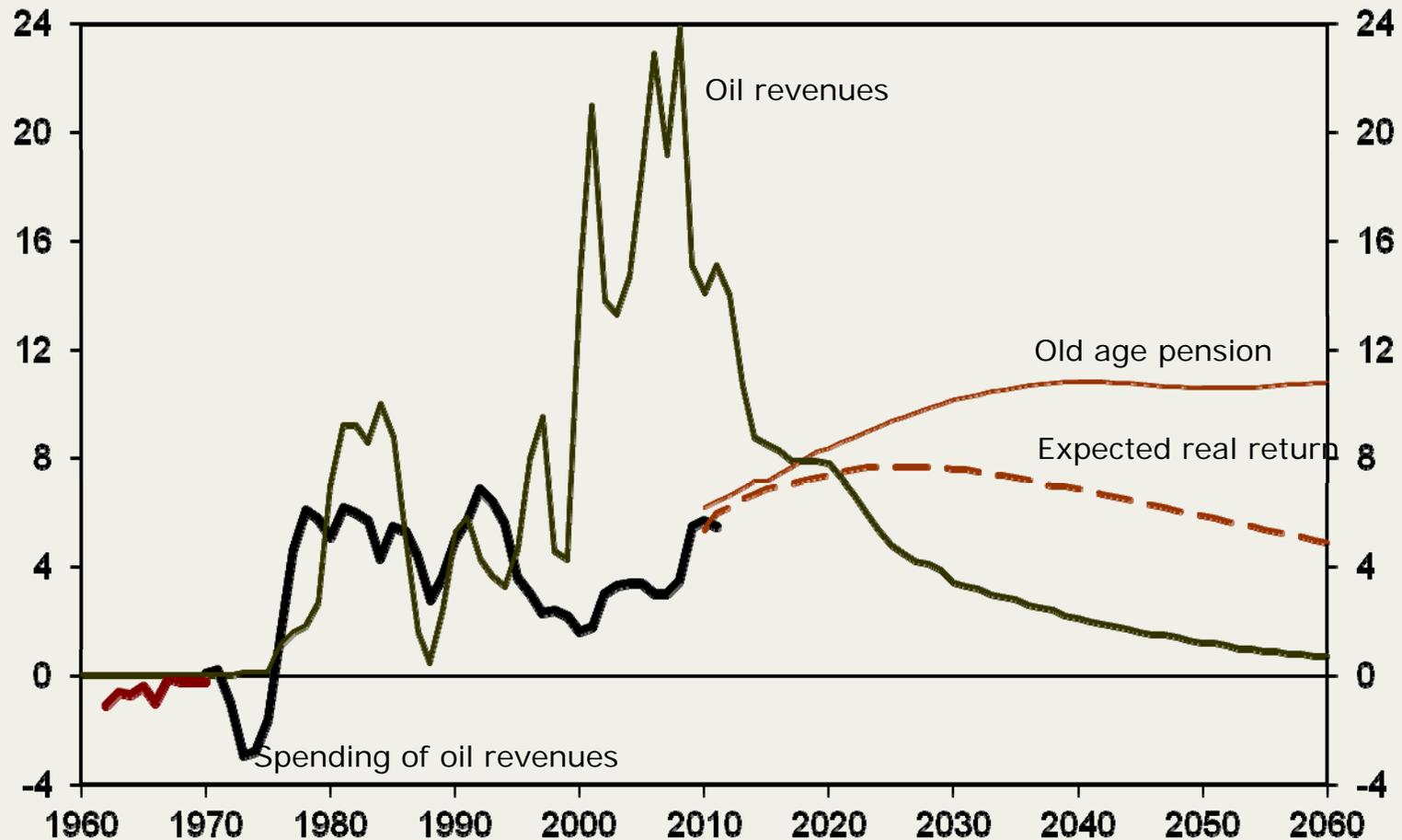
Sources: Statistics Norway and Ministry of Finance

Main considerations for fiscal policy

1. Employment and competitiveness
- The budget should not contribute to more rapid interest rate hikes than among trading partners, NOK appreciation and decline in employment in exposed sectors
- Growth higher than trend and unemployment below historical average

2. Ageing – long term fiscal outlook
- Spending of oil money was significantly higher than the 4%-path during the downturn, and this has to be reversed
- Ageing impose a stronger burden on Norway than on the average EU country

Both considerations implies prudent spending of oil revenues

Going forward ...

- The situation in the US and Europe is serious

- Well functioning economies crucial

- Nordic countries could be a source for inspiration