



OECD ECONOMIC SURVEY OF NORWAY 2019

Sustaining wellbeing and employment

Alvaro Pereira, OECD Director, Oslo, Monday 9 December 2019

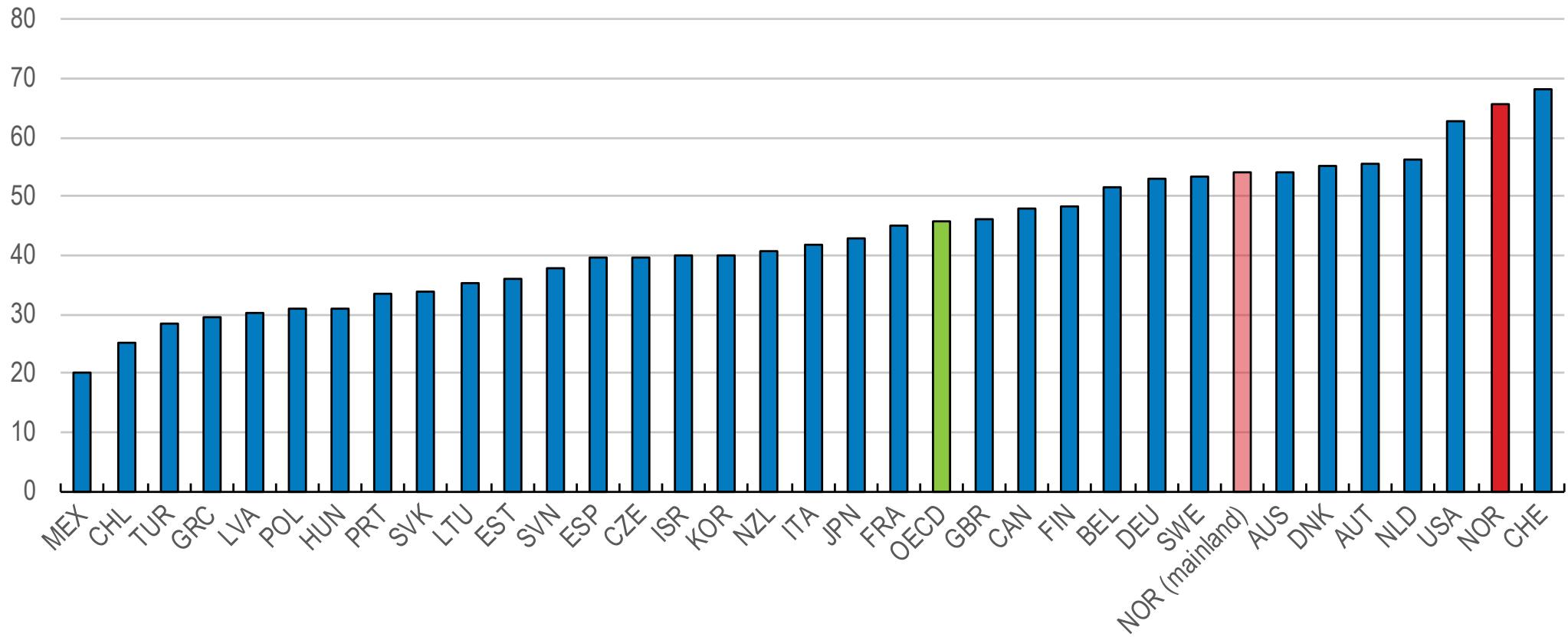
<http://www.oecd.org/economy/norway-economic-snapshot/>





Living standards remain high

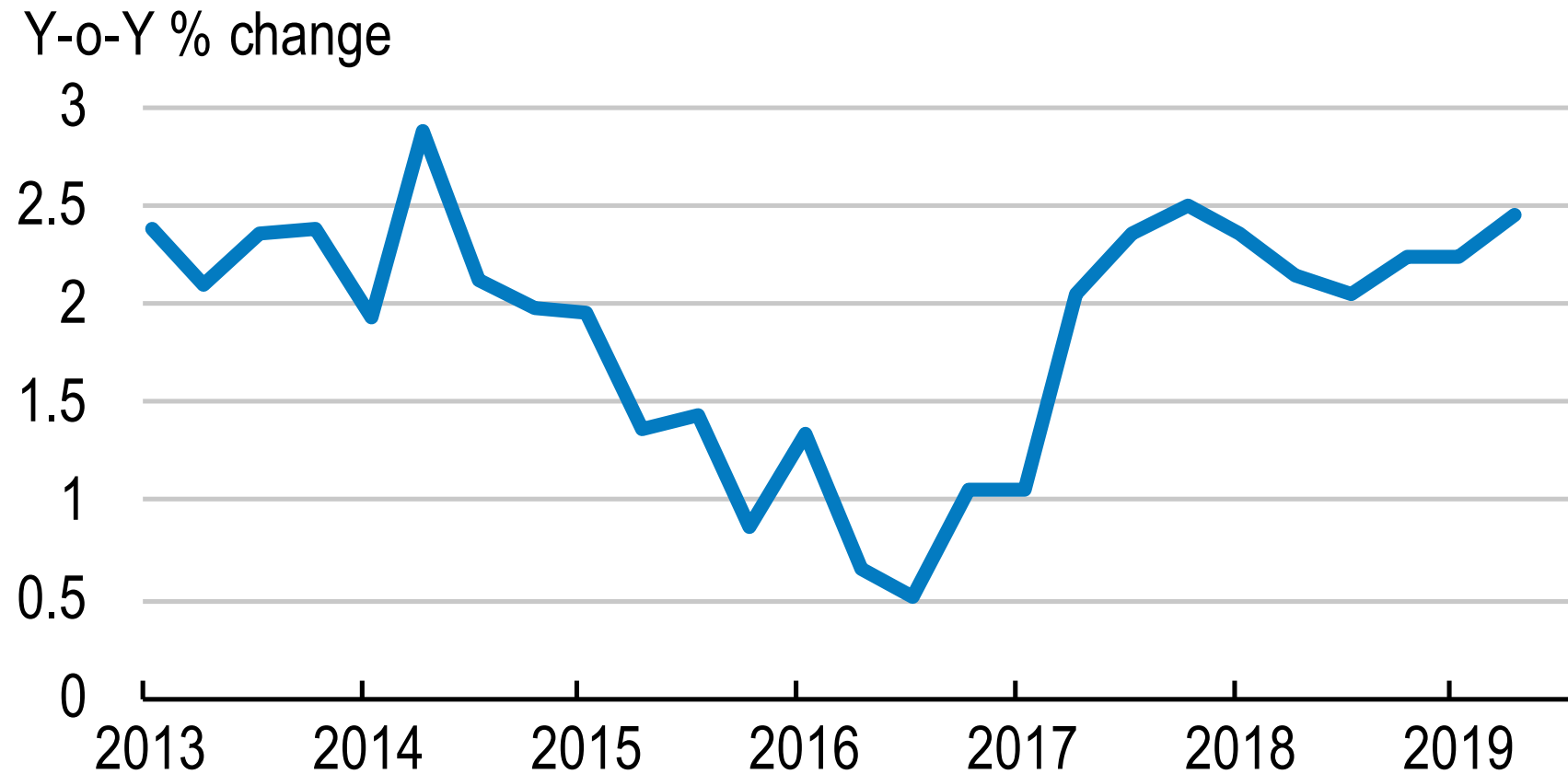
GDP per capita, U.S. dollars, purchasing-power parity basis





GDP growth is robust

Real mainland GDP





Growth will ease in the coming quarters

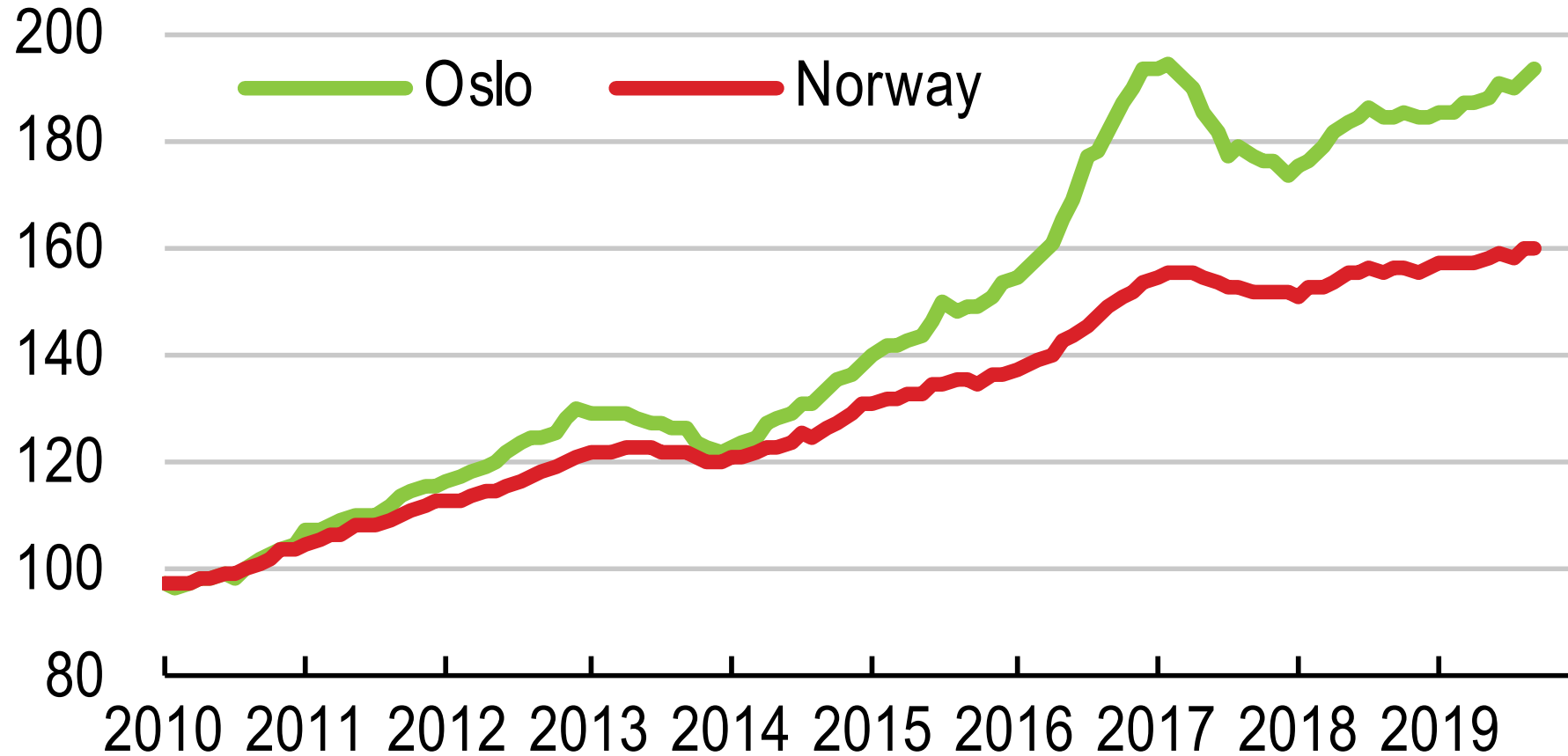
Mainland GDP growth will be around 1.7% by 2021

(Annual growth rates, unless specified)	2018	2019	2020	2021
Mainland GDP	2.2	2.5	2.0	1.7
Private consumption	1.9	1.8	1.9	1.9
Government consumption	1.4	2.2	1.9	1.8
Gross fixed capital formation	2.8	4.3	3.3	2.1
Exports of goods and services	-0.2	1.6	2.6	3.1
Imports of goods and services	1.9	5.45	1.	2.0
Unemployment rate (% of labour force)	3.8	3.4	3.2	3.2
Consumer price index	2.7	2.3	2.0	2.2



House prices continue to rise

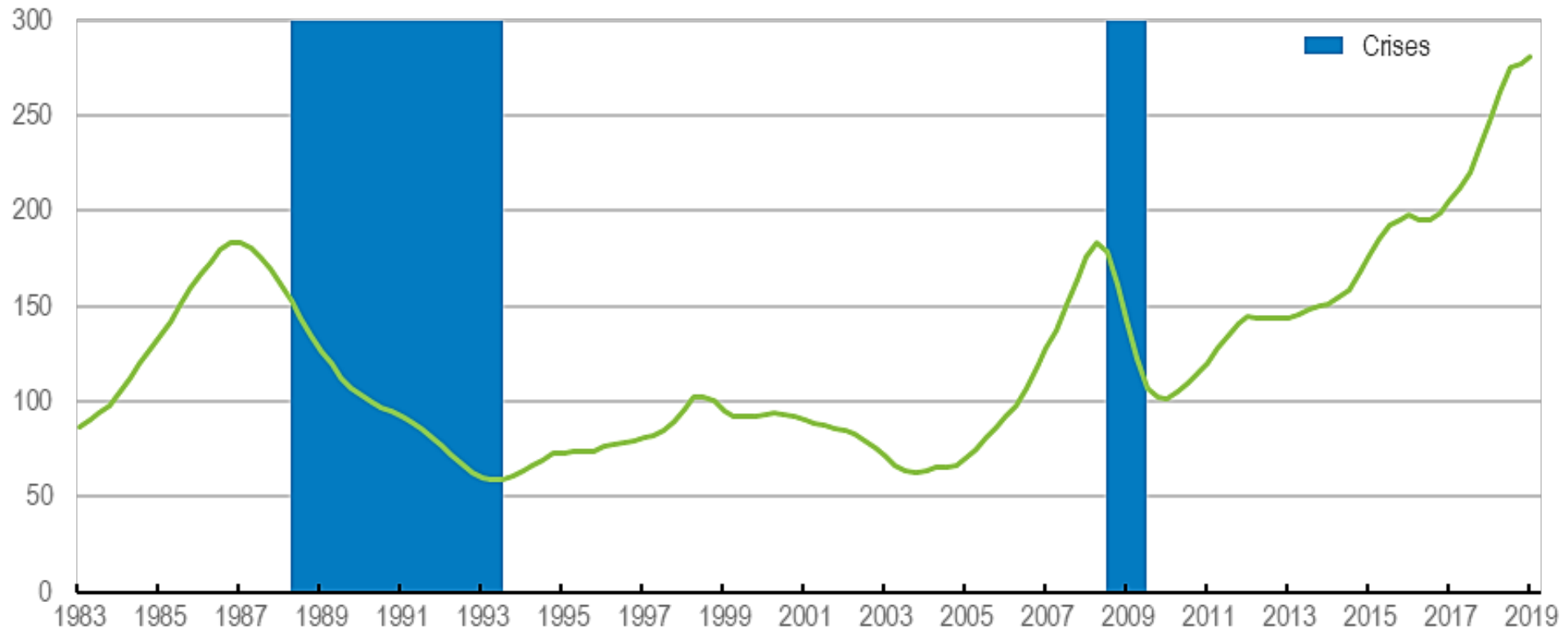
Nominal house price index, 2010 = 100, seasonally adjusted





Commercial real estate prices are rising steeply

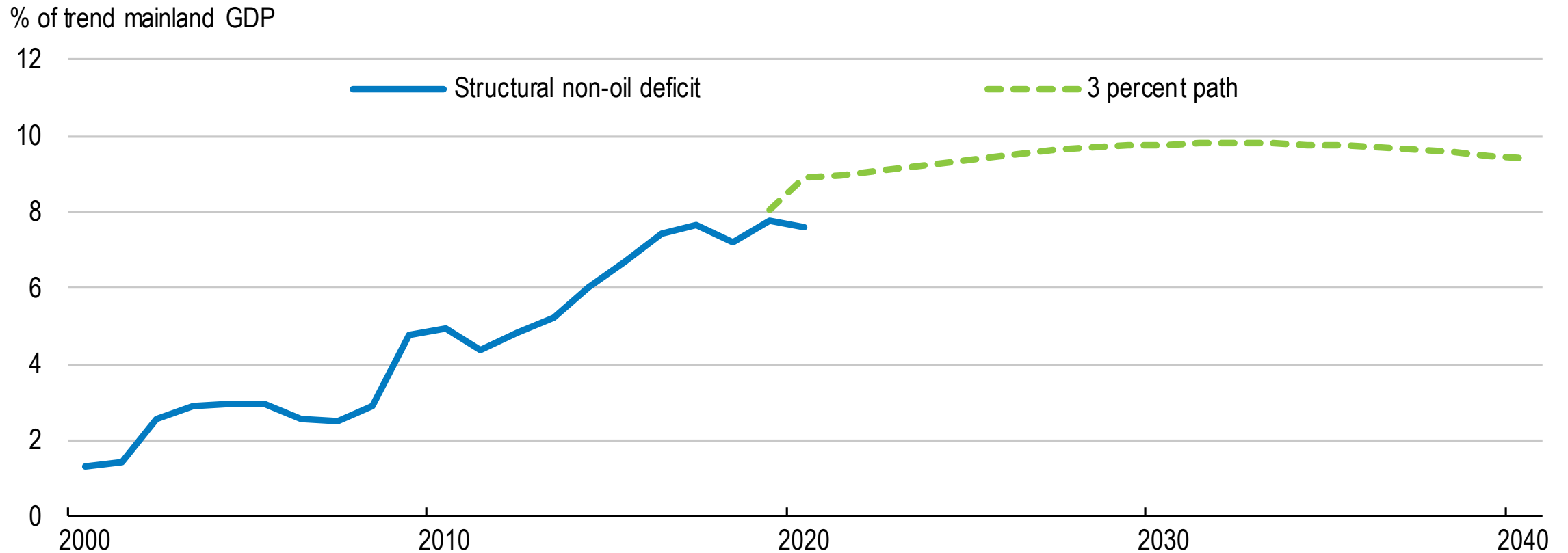
Estimated real selling prices per square meter for prime office space in Oslo, index 1998=100





Non-oil deficits can no longer increase rapidly

Non-oil deficits and projection of 3 percent of the value of the oil fund

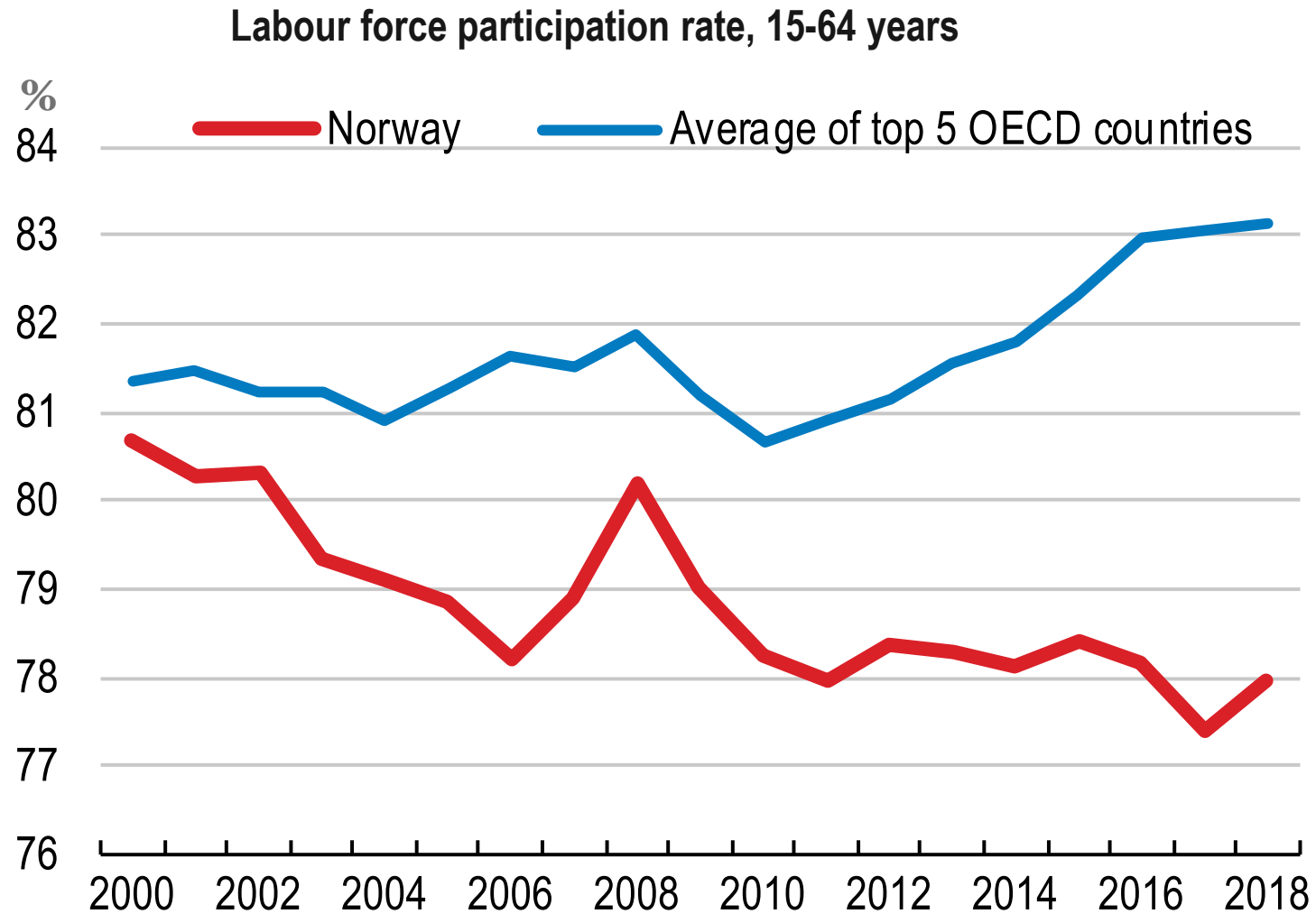




MAINTAINING HIGH EMPLOYMENT



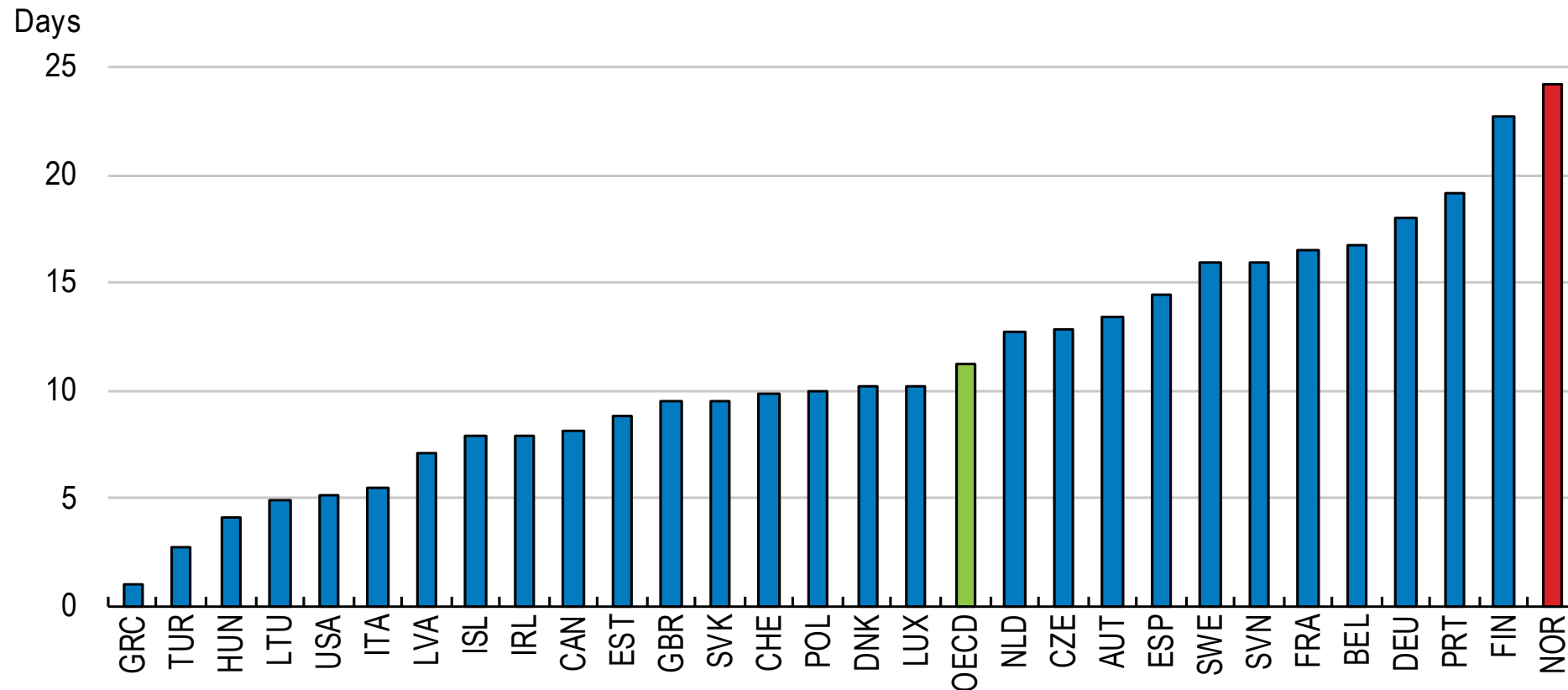
Labour force participation has been falling





Sickness absence from work is high

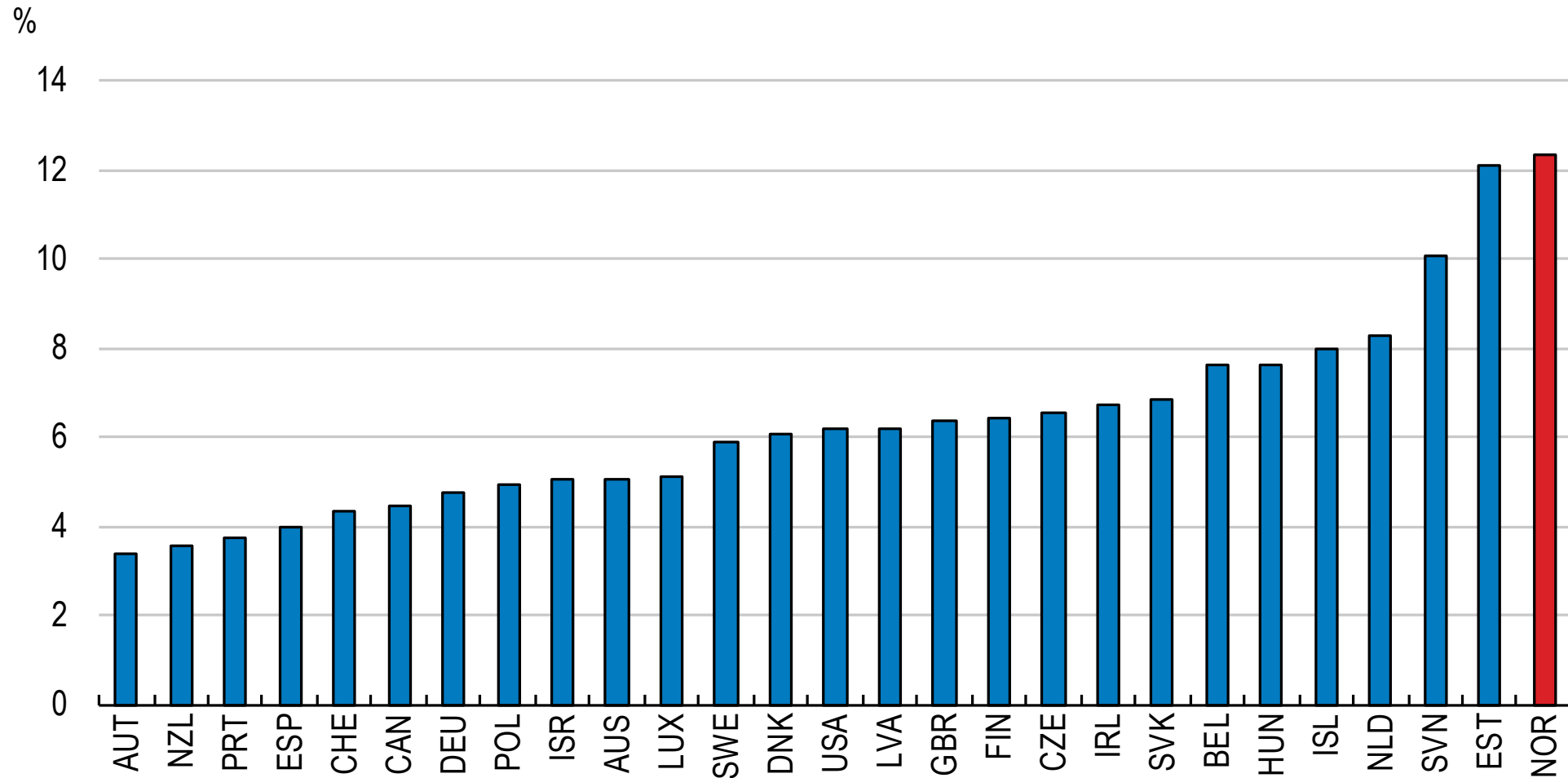
Sickness absences of full-time dependent employees, average number of days per year, 2018





A substantial share of the population is on disability benefit

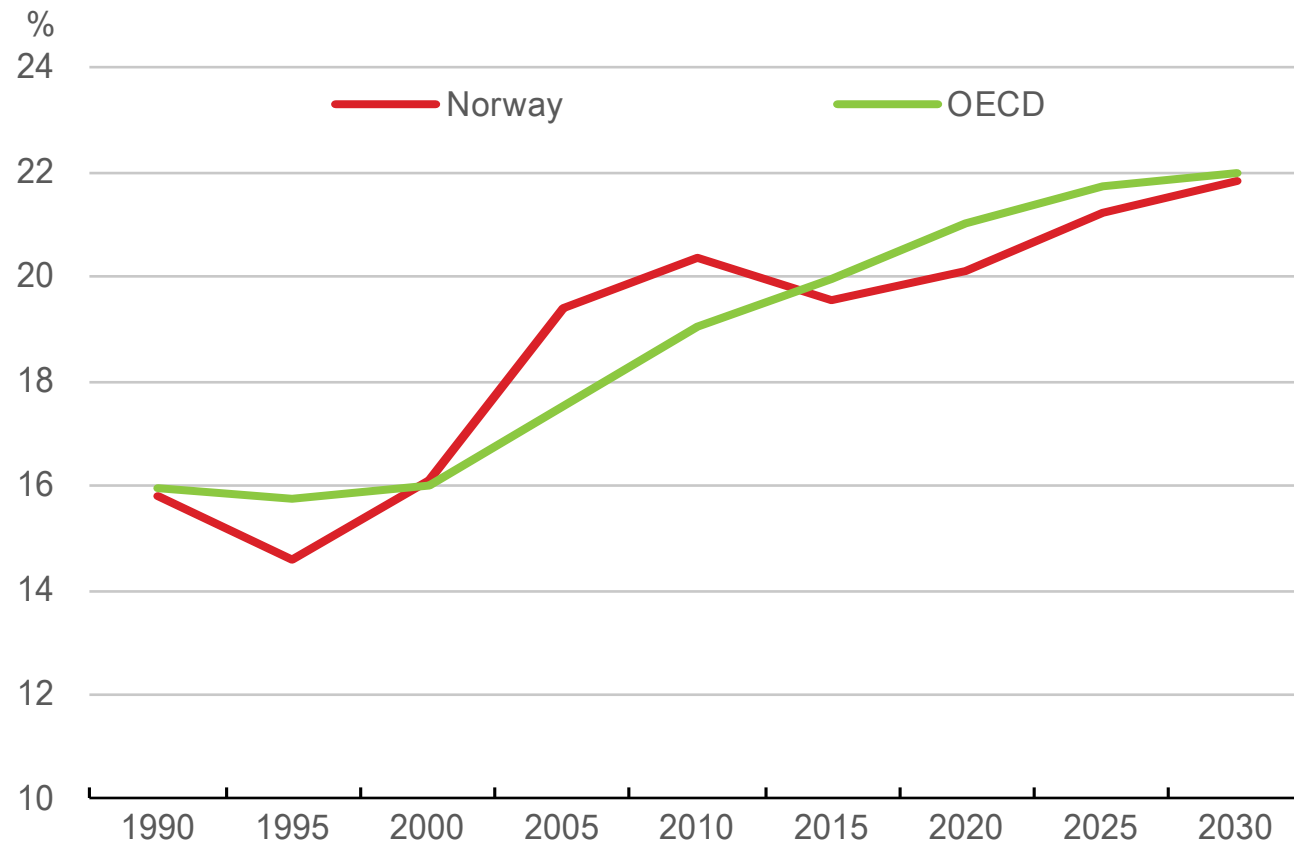
Disability benefits recipients, % of population aged 20-64, 2017 or latest





The population is ageing

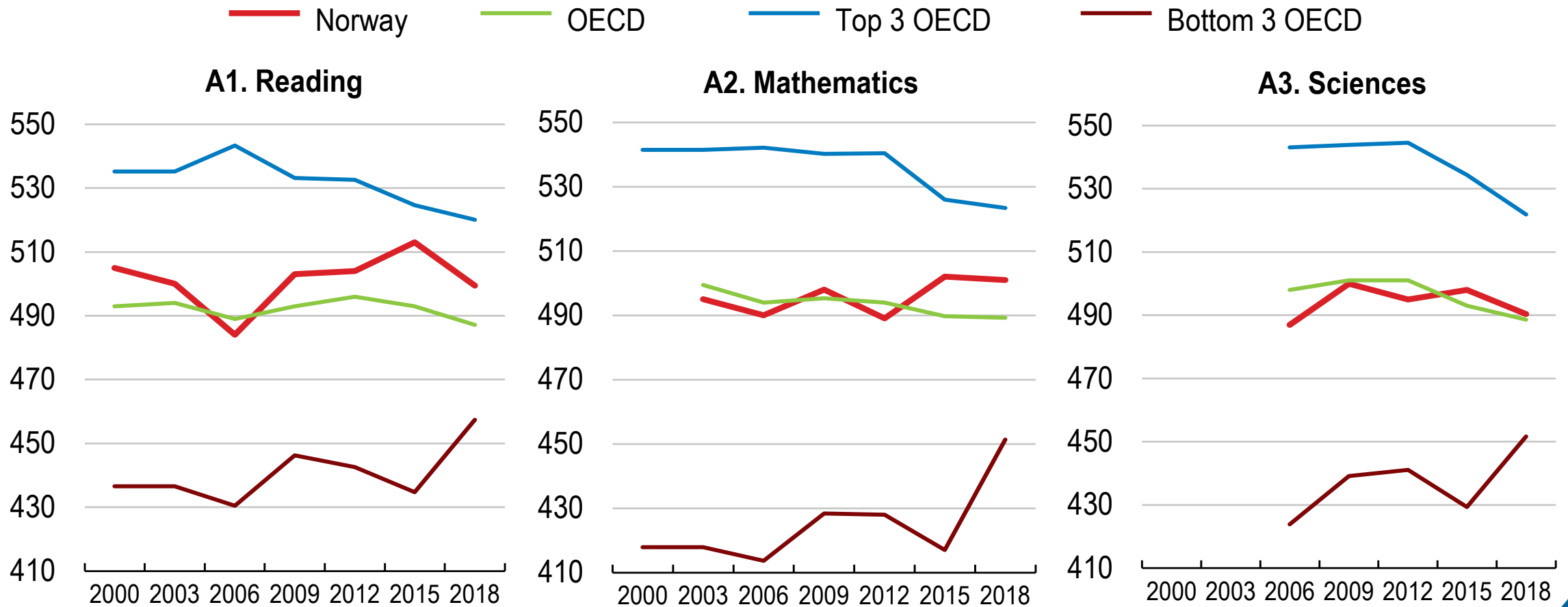
Share of 55-64 year-olds in the population aged 20-64





Investment in skills and education is needed

Scores in the OECD's PISA tests of the knowledge and skills among 15-year-olds



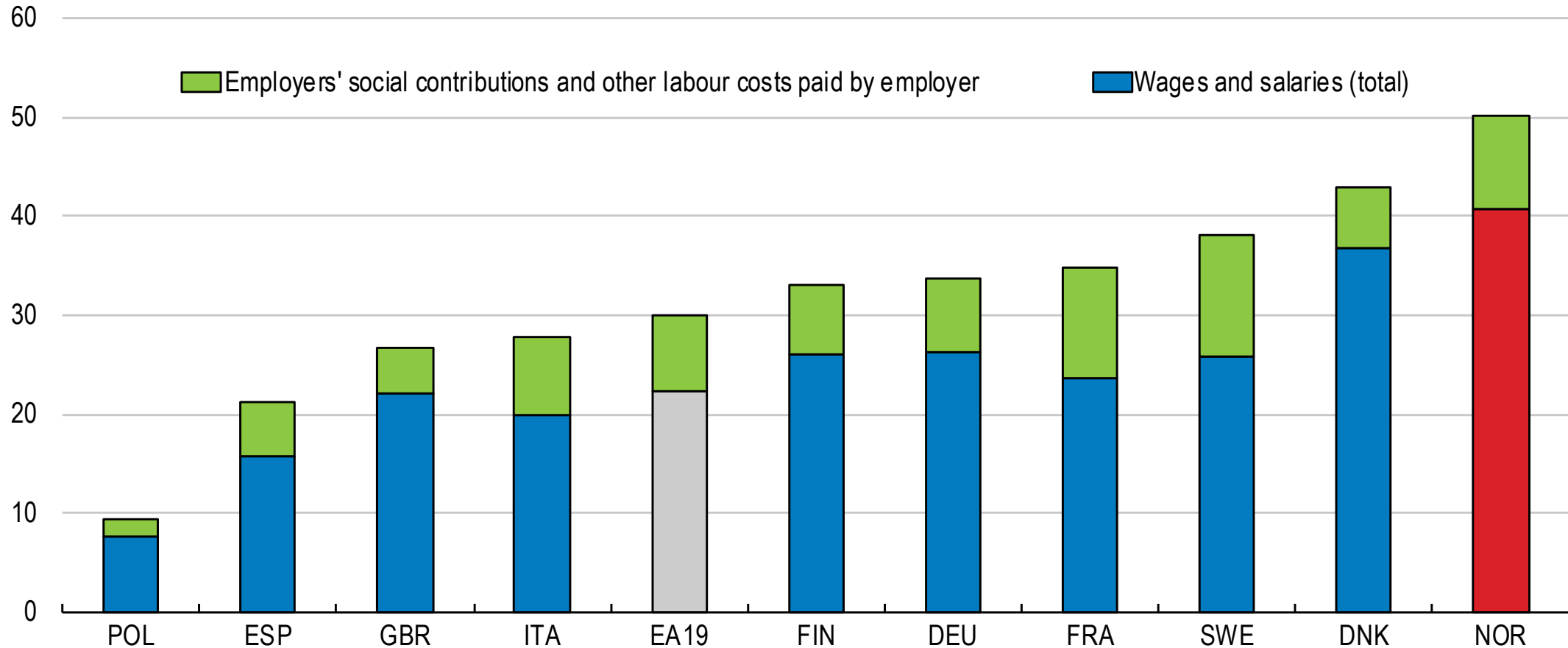


IMPROVING BUSINESS CONDITIONS



Businesses face high labour costs

Hourly labour costs, 2018, EUR



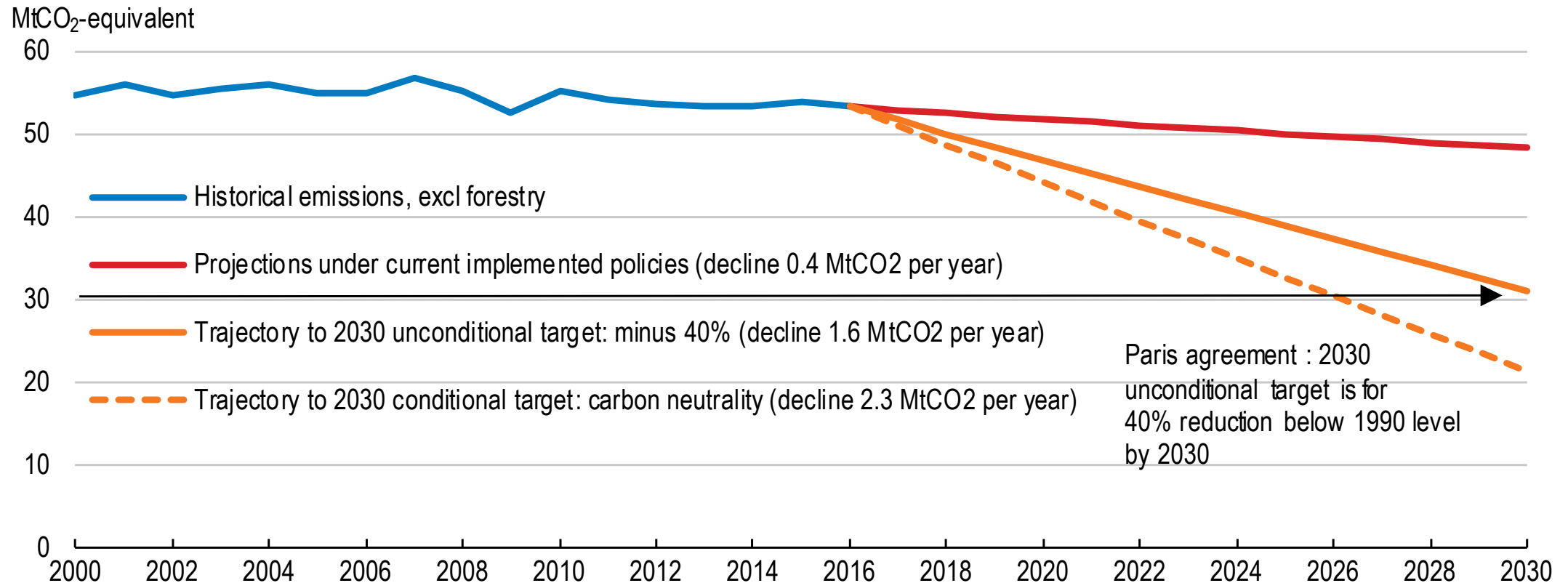


TACKLING CLIMATE CHANGE



Norway is facing a sizeable emission-reduction challenge

Greenhouse gas emissions





KEY MESSAGES

- Continued vigilance is needed given the heightened uncertainty from global developments and domestic risks stemming from property markets.
- Managing narrower fiscal space requires better value for money in public spending.
- Policy needs to better facilitate and motivate employment as to strengthen inclusiveness and economic potential.



More Information...

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<http://www.oecd.org/economy/norway-economic-snapshot/>



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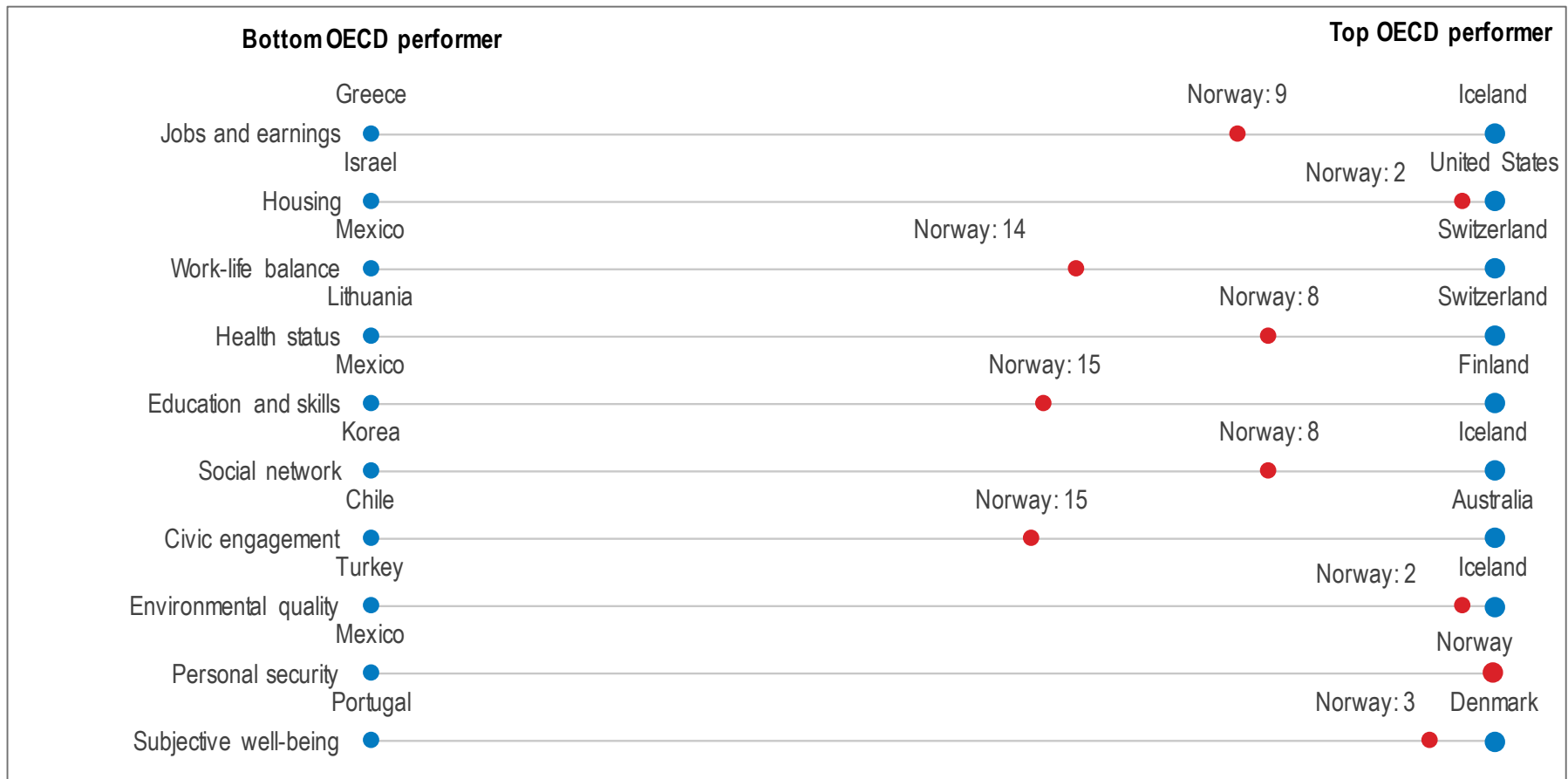


EXTRA SLIDES



Well-being is high

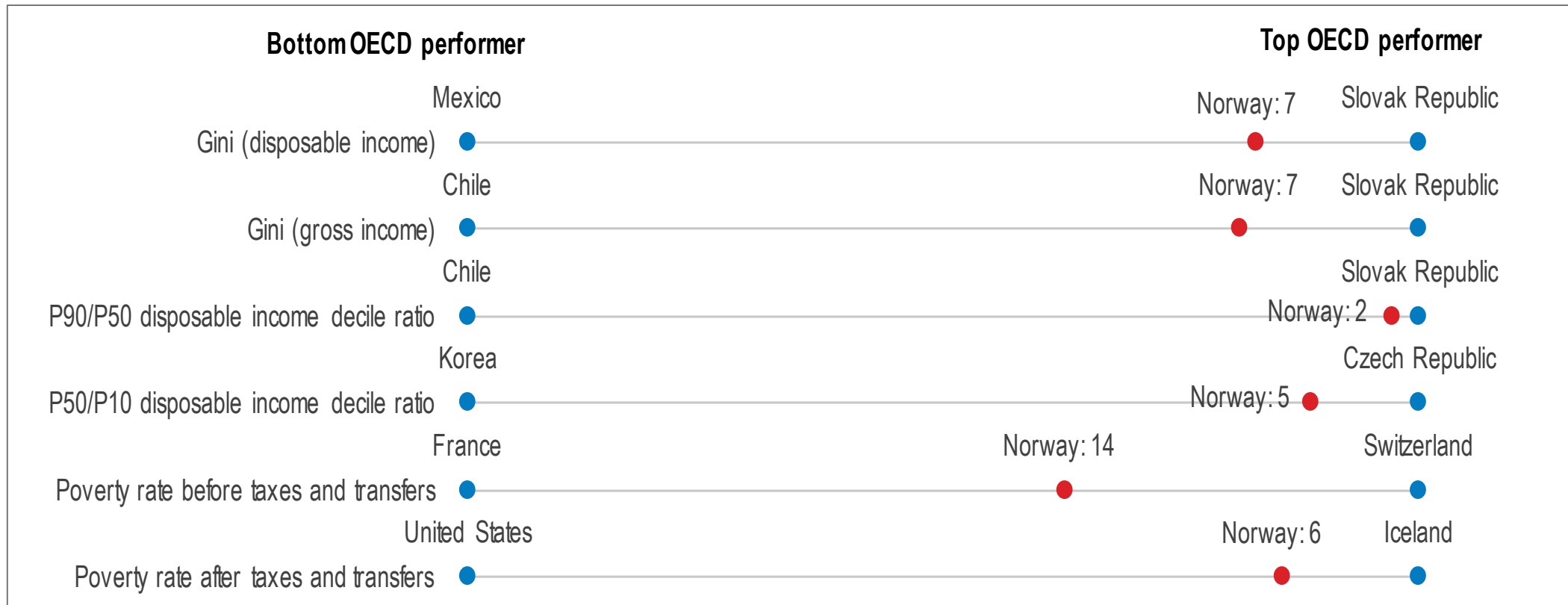
Norway's ranking amongst OECD countries





Inequality remains low

Norway ranking amongst OECD countries





Recommendations for macroeconomic stability and fiscal management

- Keep the policy rate on hold, while remaining vigilant to changing circumstances.
- Renew macroprudential mortgage regulations when they expire, consider removing time limitations.
- Reduce tax concessions on homeownership.
- Apply the fiscal rule conservatively over the longer term, keeping structural deficits below the 3% path in the near term.
- Strengthen value for money in public spending.



Recommendations for sick leave compensation and disability benefits

- Strengthen incentives to contain sick-leave absences.
- Intensify management efforts to address sick leave.
- In disability benefits, strengthen treatment and rehabilitation requirements and apply eligibility rules in general more strictly.
- Make early intervention a stronger theme of reform.
- Tighten medical assessment.



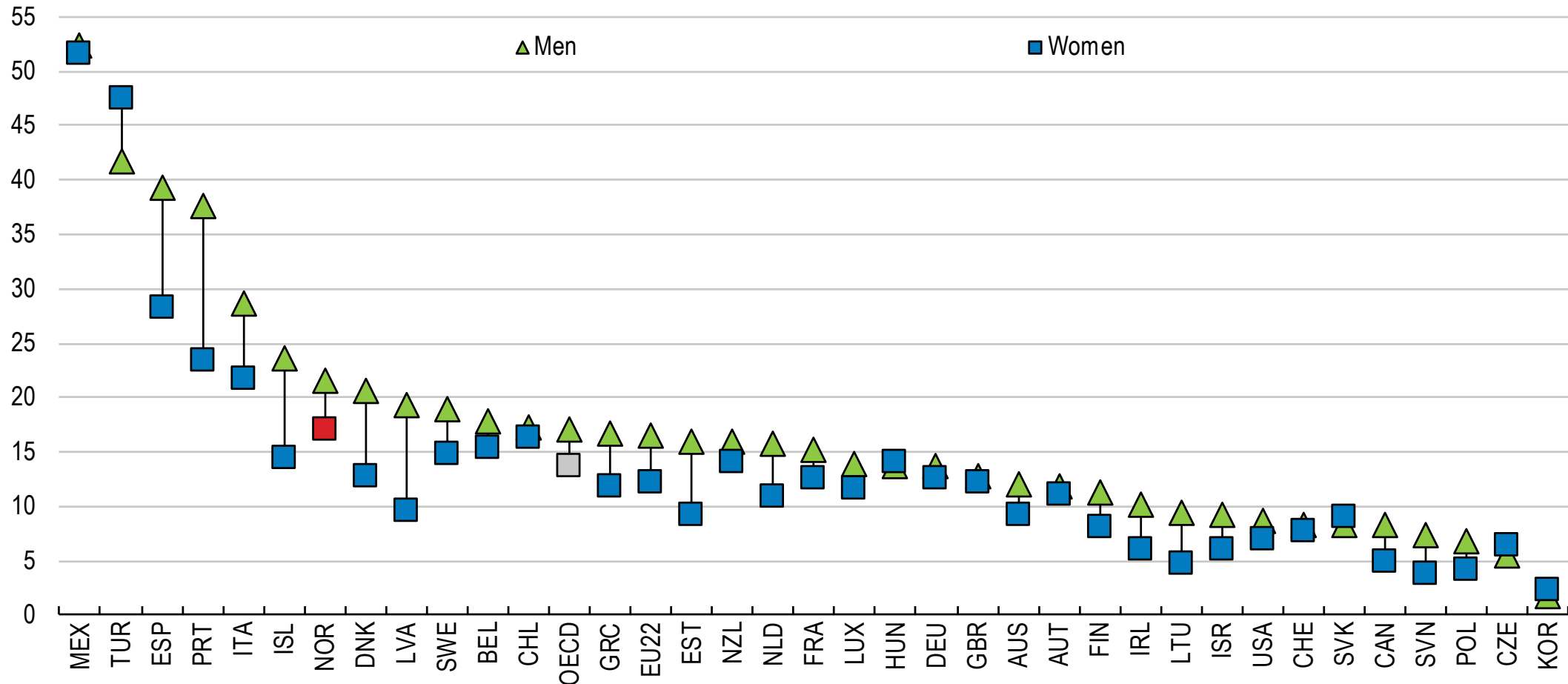
Recommendations for early retirement and pensions

- Align special pension provisions for certain occupational groups such as nurses, national defence and the police with the mainstream pension system.
- Index age-dimensions of the pension system to life expectancy, such as the retirement-age range of 62 to 75 years.
- Diminish the financial attractiveness of early retirement via disability benefits by putting the compensation for life-expectancy adjustment in pensions on hold.



A high share of youth do not complete upper secondary education

Percentage of 25-34 year-olds without upper secondary education, 2017 or latest





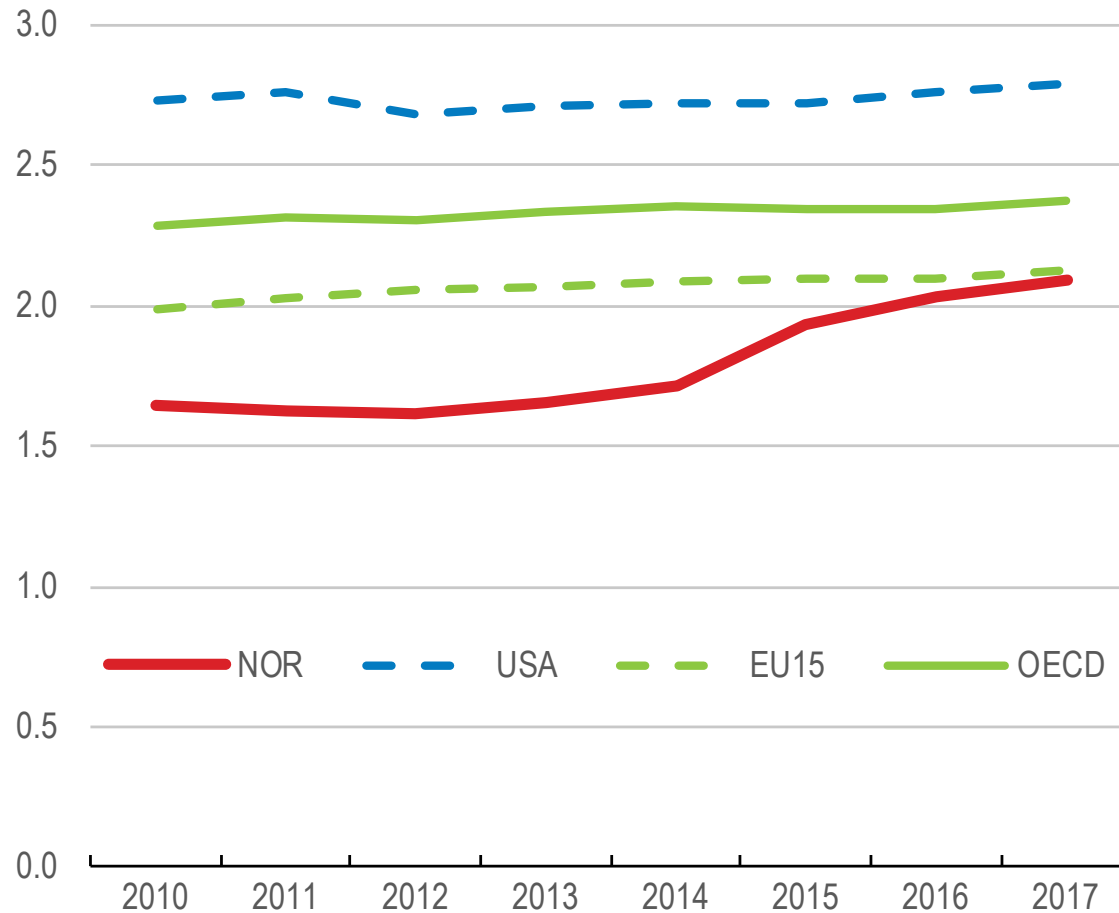
Recommendations to improve education and skills

- Press ahead with primary- and secondary-school curriculum reforms.
- Reduce apprentice remuneration to make it more attractive for employers to offer additional places.
- Link part of the employer subsidy to course completion by apprentices.
- Strengthen higher-education students' incentives for timely course completion.
- Ensure that higher education institutions provide comprehensive study guidance and support services.



Expenditure on R&D has risen

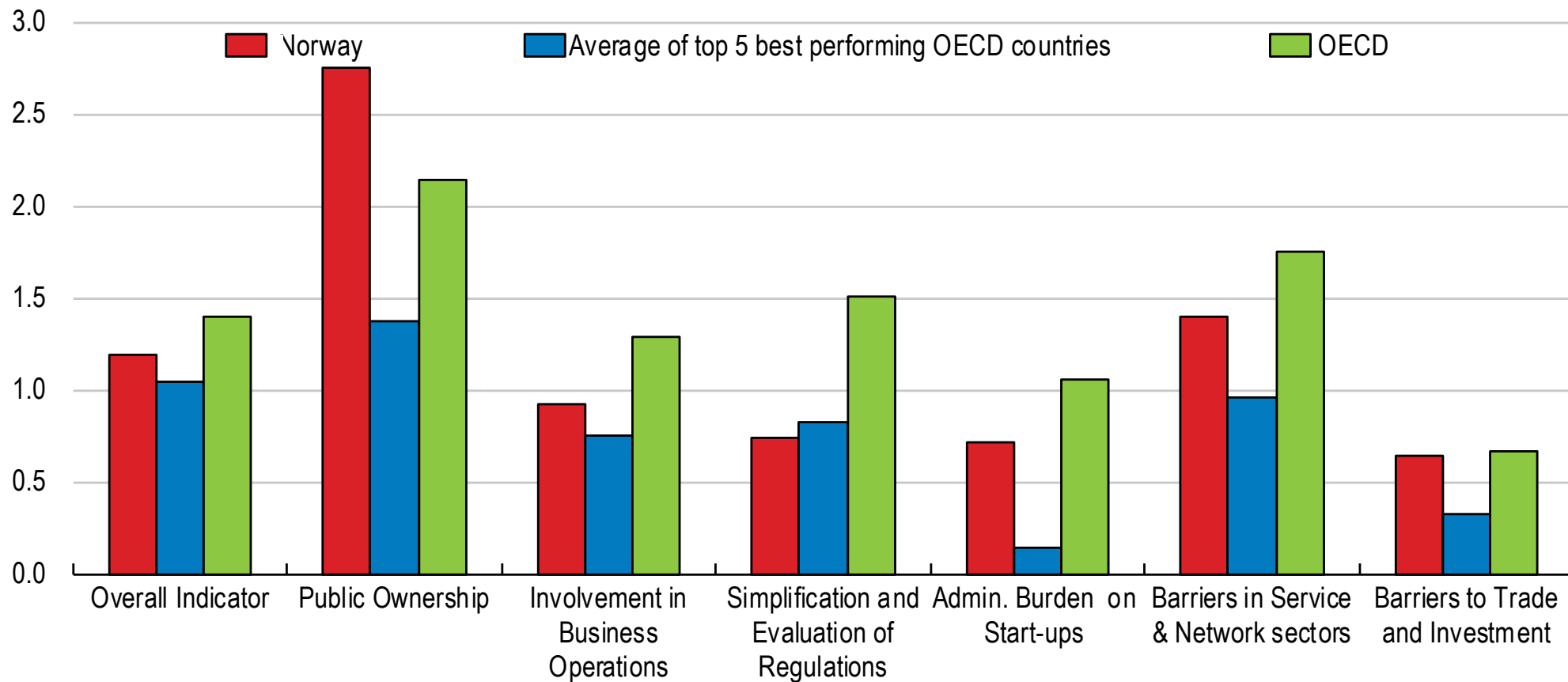
Gross expenditure on R&D, percentage of GDP





There is room to improve regulation

OECD Product Market Regulation (PMR) indicator
Scale 0-6 from least to most restrictive





Recommendations for maintaining a successful business sector

- Strengthen business dynamics through better routes to recovery for businesses in difficulty, including lighter penalties for failed entrepreneurs.
- Continue to tackle weak points in business efficiency, including by paring back the extensive support for the agricultural sector.



Recommendations to combat climate change

- Pursue cost efficiency across sectors and borders in fulfilling Norway's Paris 2030-goal within the EU climate framework.
- Intensify green-house-gas reduction measures in particular in transport and agriculture. Review and reform road pricing and vehicle taxation, giving weight to social, fiscal and environmental considerations.