



## **Launch of the Economic Survey of Norway**

**Remarks by Angel Gurría,  
Secretary-General  
OECD**

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Ladies and Gentlemen,

Thank you for inviting me to Oslo to launch the *2014 OECD Economic Survey of Norway* with Minister Siv Jensen. Allow me to thank Prime Minister Solberg – who paid a visit to the OECD only a month ago – for returning the hospitality so quickly!

It is a great pleasure, in a context of weak global economic growth prospects, to present a Survey with such positive findings. Norway continues along the consistent track of inclusive and stable growth, with gender equality, social mobility and low unemployment. Additionally, Norway is using its favourable position for the international good: mediating in conflicts, providing foreign aid resources, and defending the environment.

Our Survey focuses on Norway's competencies – which you know well – but also on some areas for improvement. Let me delve into our findings in greater detail.

### **Norway: Managing its Economy Successfully**

My most important message today is that the Norwegian economy is performing well. Despite a recent slowdown, mainland GDP growth is still projected at 2.5 per cent in 2014, with moderate inflation and low and stable unemployment. Projected growth remains slightly higher than the OECD average as a whole.

Norway's oil resources have helped to insulate the country from the crisis and its legacies. Nevertheless, Norway deserves accolades for its intelligent and effective management of its wealth and resources. This has largely been achieved through the creation of the Pension

Fund (Government Pension Fund Global) – valued at around 850 US billion – and the accompanying fiscal rule.<sup>1</sup>

As Norwegians, you are probably so familiar with the Pension Fund that you don't need to be reminded of its importance. But countries from Australia to Chile have asked the OECD about your experience. It took you some years to develop, but along with well-established fiscal discipline the Pension Fund provides two key benefits: first, it spreads resource wealth across generations; and second, it helps to protect the Norwegian economy against fluctuations in petroleum revenues.

Despite its important natural resource endowment, Norway's taxation levels are quite high. The Economic Survey we are launching today suggests that Norway could aim for a gradual reduction in the level of taxation. The current government has made a start, reducing income tax by one percentage point, reducing the wealth tax, and abolishing inheritance tax in the revised 2014 budget. Further reductions in taxation could be supported by focusing on efficiency and value for money in public spending. Stronger impact evaluations and cost-benefit analyses could help Norway achieve this.

### **But Norway must also keep an eye on financial stability**

Norway and its banks came through the crisis better than almost every other OECD country. Nevertheless, it is at the forefront of introducing new, macro-prudential policy tools to help prevent and manage financial and economic crises in the future.

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<sup>1</sup> Source: NBIM. Real time value of fund on 4 March 2014: NOK 5 088.6 billion (USD 842 billion).

We do not yet know how well these measures will work and expect to see some refinement in these tools. As a first assessment, the introduction of a “counter-cyclical buffer” at a level of 1% of risk-weighted assets – on top of the usual capital requirements – seems appropriate. If the capital ratio falls below the required total level, the authorities can impose constraints on banks’ behaviour, notably restricting dividend payments and employee remuneration. As the Norges Bank governor has pointed out, despite its name, this is a tool to improve resilience in the financial system, rather than something to control the normal business cycle. However, in the meantime – and until these macro-prudential tools are proven – interest rate policy will continue to be used to address financial stability risks.

Additionally, the last six months have seen house prices decline, perhaps partly as a consequence of measures taken to limit overheating. This will hopefully lead to a “soft landing” rather than to the sharp falls that some have feared. Norway also faces high household indebtedness at floating interest rates, with total household debt now standing at 200% of disposable income. With this in mind, Norway should continue to address the financial vulnerabilities that stem from high household indebtedness. Such measures will help Norway to maintain its stability, prosperity and quality living standards.

Looking forward, Norway must focus on skill development and on fostering entrepreneurship, particularly as petroleum production declines.

### **A Call to Focus on Promoting Skills and Entrepreneurship**

Skill development has been a key focus at the OECD, and it featured high on the agenda of our Ministerial Council Meeting last year which Norway chaired. We have been working hand-in-hand with Norway in its efforts to develop a national skills strategy. Only two weeks ago, we presented a diagnostic report on skills, drawing on a year of analysis.

We find that entrepreneurial skills are one area where Norway needs to focus its efforts. A recent international survey shows that relatively few Norwegians believe they have the skills to be entrepreneurs. This may be typical Nordic modesty. But lack of entrepreneurial skills is perhaps also a genuine issue for Norway. To help develop these skills, more emphasis can be placed on entrepreneurial competencies such as risk assessment, people management, project planning and finance.

To further foster entrepreneurship, it is also important that Norway maintains a competitive and open domestic market, with as few barriers to entrepreneurship as possible. Support for entrepreneurship should concentrate on such “framework” conditions, and should avoid too active a policy. For example, it was once thought that support for small companies was important because these are the companies where employment is generated. But more recent work suggests that it is new firms – rather than small ones – that are an important source of growth in jobs.

And to improve education more generally, our *Survey* recommends maintaining a steady focus on improving the level of training of teachers, as well as on increasing the cost-effectiveness in tertiary education. For instance, scientific, technical and engineering abilities may not be the only skills that promote productivity growth, but they are certainly important. Unfortunately, they tend to be under-represented in university studies in Norway.

Some countries are also increasingly using market signals to help guide student choices, whether through tuition fees or differentiated levels of assistance. So far, tuition fees have been rejected by Norway. We consider that a national debate on their use, and the potential importance of market signals in the Nordic model, could nevertheless be useful.

Ladies and gentlemen,

In many countries I conclude my statements by reminding ministers that the OECD is there to help them address their problems, and this is indeed our role. Norway does not face the same acute challenges as many other countries. But we know that you welcome discussions with us on many issues, from education or the labour market to taxation and climate change. We also welcome these discussions, as well as Norway's very active support for and engagement in all of our programmes.

You are one of our most valued partners in fulfilling our mission to develop Better Policies for Better Lives.

Thank you.