

## NORWAY

Norway has been hit hard by the global economic downturn, even if the decline in output is projected to be less sharp than in other countries. The export sector is severely affected, and domestic demand, mainly investment, is contracting rapidly. Despite this, rising labour costs and higher import prices following depreciation of the krone have kept inflation relatively high. The authorities reacted promptly to problems in financial markets with a number of measures to restore the normal functioning of credit markets and stimulate output.

Further monetary easing, as projected by the central bank, is desirable if inflation pressures moderate faster than expected. Fiscal action has been considerable so far; significant further fiscal expansion in 2010 may be unnecessary if the economy recovers as projected and, given losses on the Government Pension Fund in 2009, some caution may be advisable.

## Norway: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices NOK billion	Percentage changes, volume (2006 prices)				
Private consumption	826.2	4.8	6.0	1.4	-0.9	1.1
Government consumption	387.2	1.9	3.4	3.8	5.8	3.8
Gross fixed capital formation	365.6	11.7	8.4	3.9	-7.5	-0.5
Final domestic demand	1 579.0	5.7	6.0	2.6	-1.0	1.4
Stockbuilding <sup>1</sup>	46.5	0.0	-0.7	0.7	0.1	0.0
Total domestic demand	1 625.4	5.6	5.0	3.3	-0.9	1.4
Exports of goods and services	868.4	0.0	2.5	1.4	-5.1	0.1
Imports of goods and services	548.1	8.4	7.5	4.4	-6.6	1.6
Net exports <sup>1</sup>	320.3	-2.4	-0.9	-0.7	-0.6	-0.4
GDP at market prices	1 945.7	2.3	3.1	2.1	-1.0	0.8
GDP deflator	–	8.5	2.2	9.6	-1.1	3.8
<i>Memorandum items</i>						
Mainland GDP at market prices <sup>2</sup>	–	4.9	6.1	2.6	-1.5	0.9
Consumer price index	–	2.3	0.7	3.8	2.4	1.3
Private consumption deflator	–	1.9	0.7	3.9	2.8	1.3
Unemployment rate	–	3.4	2.5	2.6	3.7	4.3
Household saving ratio <sup>3</sup>	–	0.1	0.4	2.0	4.6	4.3
General government financial balance <sup>4</sup>	–	18.5	17.7	18.8	8.6	7.0
Current account balance <sup>4</sup>	–	17.3	15.9	18.2	18.2	20.6

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. GDP excluding oil and shipping.

3. As a percentage of disposable income.

4. As a percentage of GDP.

Source: OECD Economic Outlook 85 database.