OIL AND THE NORWEGIAN ECONOMY – THE CHALLENGES AHEAD

GOVERNOR ØYSTEIN OLSEN
GDP per capita
Relative to OECD. Index. OECD = 100

Sources: Statistics Norway, OECD and Norges Bank
The fund mechanism

Petroleum revenues and return on investment

Government Pension Fund Global
NOK 7 000 billion

Transfer to finance non-oil budget deficit

Fiscal rule
(real return on the fund over time, estimated at 4%)

Fiscal budget
NOK 1 200 billion

Non-oil revenues

Expenditure
Real exchange rates

Source: BIS
Government revenues from the petroleum sector
...and how the revenues are used

Petroleum taxes and dividends

Government revenues from ownership shares FX

Revenues

Use

NOK

FX

Fiscal budget

Government Pension Fund Global
Government revenues from the petroleum sector

Up until 2014 Norges Bank converted excess NOK into FX
Government revenues from the petroleum sector
In 2015 Norges Bank converts FX into NOK

- Petroleum taxes and dividends
  - Revenues: NOK
  - FX sold
  - FX

- Government revenues from ownership shares FX
  - Use: NOK
  - NOK bought
  - Fiscal budget
  - Government Pension Fund Global
Oil price
USD per barrel. Brent Blend. 1 January 2012 – 25 March 2015

Source: Thomson Reuters
Petroleum investment
Constant 2015 prices. In billions of NOK. 2003 – 2018

Sources: Statistics Norway and Norges Bank
A positive slope denotes a stronger krone exchange rate.

Sources: Norges Bank and Thomson Reuters
Labour costs relative to trading partners
Hourly labour costs. Index. 1995 = 100. 1995 – 2015

1) Projections for 2015
Sources: TBU, Statistics Norway and Norges Bank
Mainland exports and export market growth
Annual change. Percent. 2008 - 2018

1) Export market growth is calculated as import growth among 25 trading partners
Sources: Thomson Reuters and Norges Bank
Unemployment
Percentage of labour force.¹) January 2008 – February 2015

1) Seasonally adjusted
2) Labour Force Survey
Sources: NAV (Norwegian Labour and Welfare Administration) and Statistics Norway
Households

Private consumption\(^1\) and disposable income\(^2\). Annual growth. Percent

1) Including consumption for non-profit organisations. Volume
2) Excluding dividend income. Including income for non-profit organisations

Sources: Statistics Norway and Norges Bank
Credit and house prices

Credit/GDP

House prices/disposable income

Sources: Statistics Norway, Eiendom Norge, Norwegian Association of Real Estate Agents (NEF), Finn.no, Eiendomsverdi and Norges Bank
Money market rates for trading partners
Three-month rates. Percent. 2010 Q1 – 2018 Q4

Sources: Thomson Reuters and Norges Bank
Baseline scenario in MPR 1/15

Key policy rate

Output gap

Underlying inflation (CPI-ATE)

Krone exchange rate (I-44)

Sources: Statistics Norway and Norges Bank
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