



# THE NORWEGIAN ECONOMY AND GLOBAL TRADE

**DEPUTY GOVERNOR JON NICOLAISEN**

Bodø, 27 September 2017

- I A small, open economy
- II An economy undergoing structural changes



I A small, open economy

II An economy undergoing structural changes



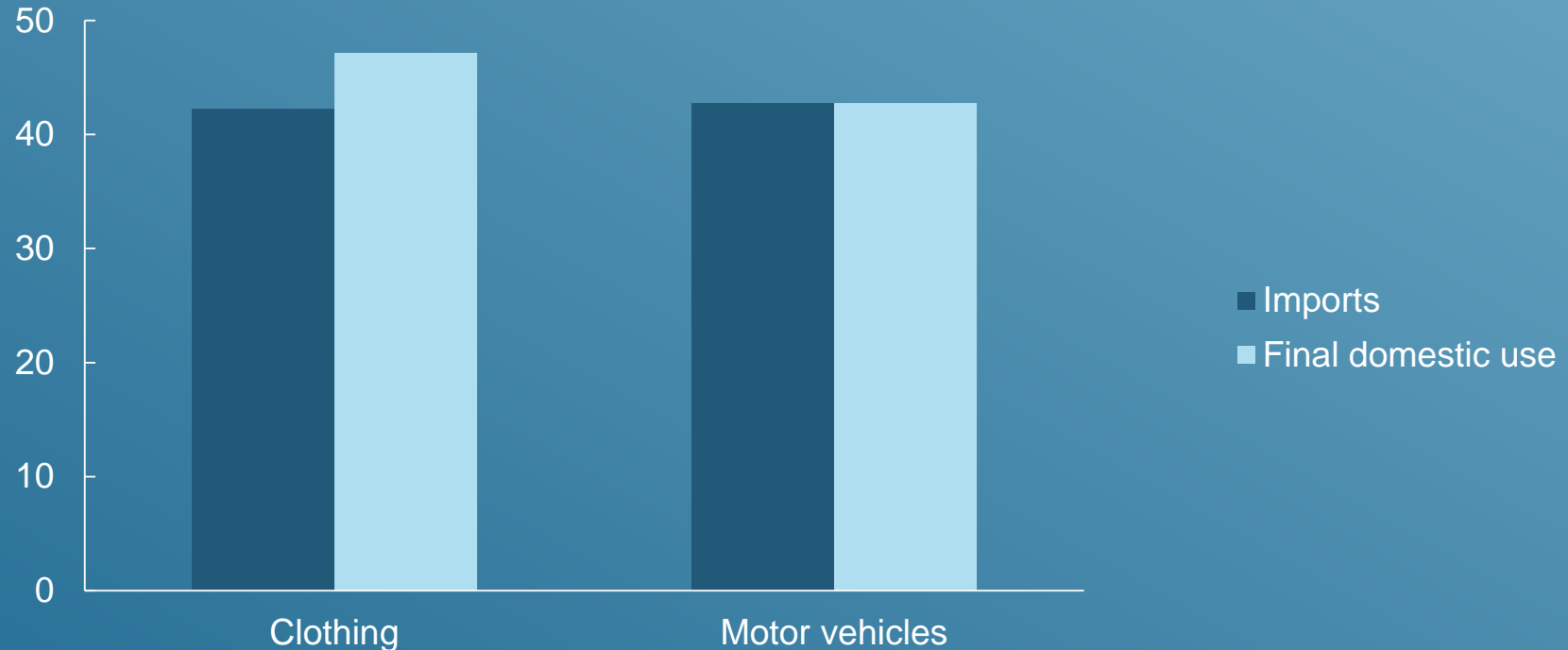
# I A small, open economy

- Trade
  - Labour
  - Technology
- 
- Small economies depend most on
    - Trade and open markets
    - An ability to make structural changes (Part II)



# Trade – access to more goods

Imports and final domestic use of goods and services. In billions of NOK. 2016

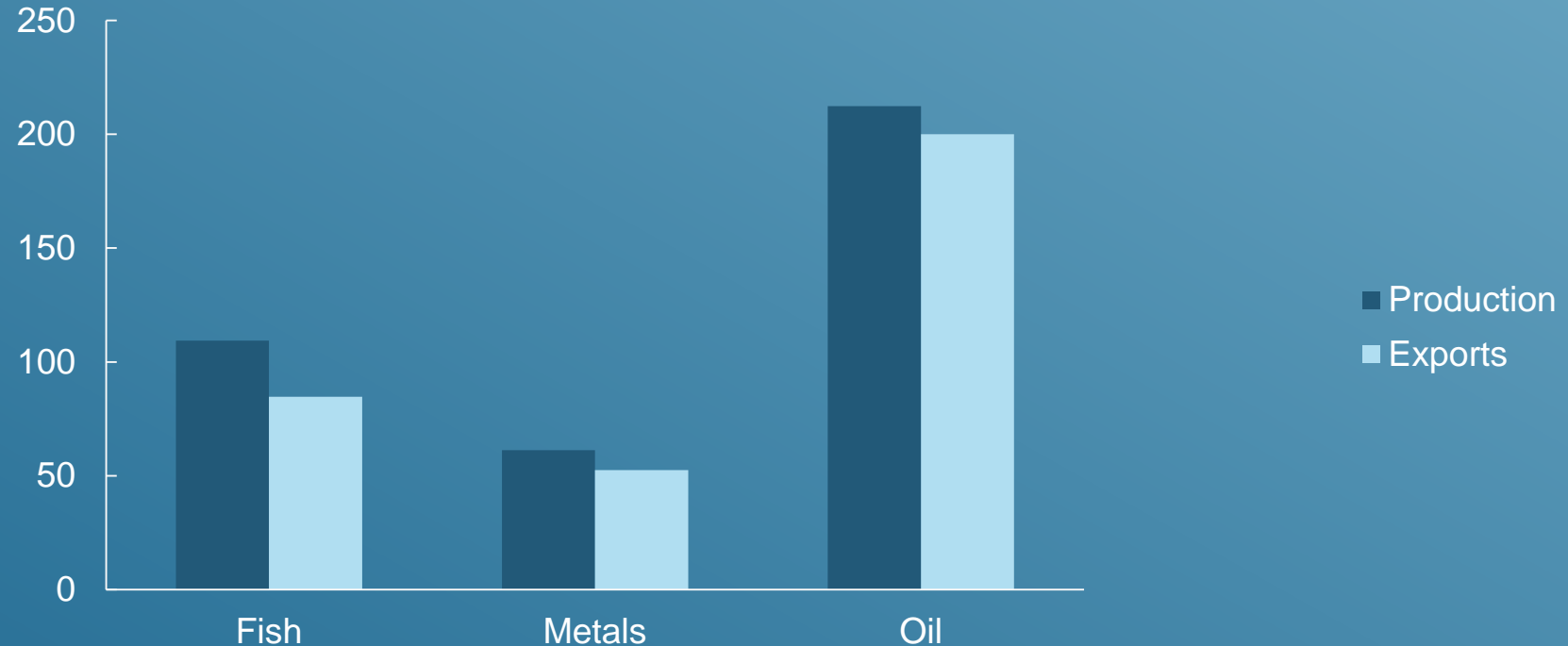


Source: Statistics Norway



# Trade – specialisation for export

Production and exports. In billions of NOK. 2016

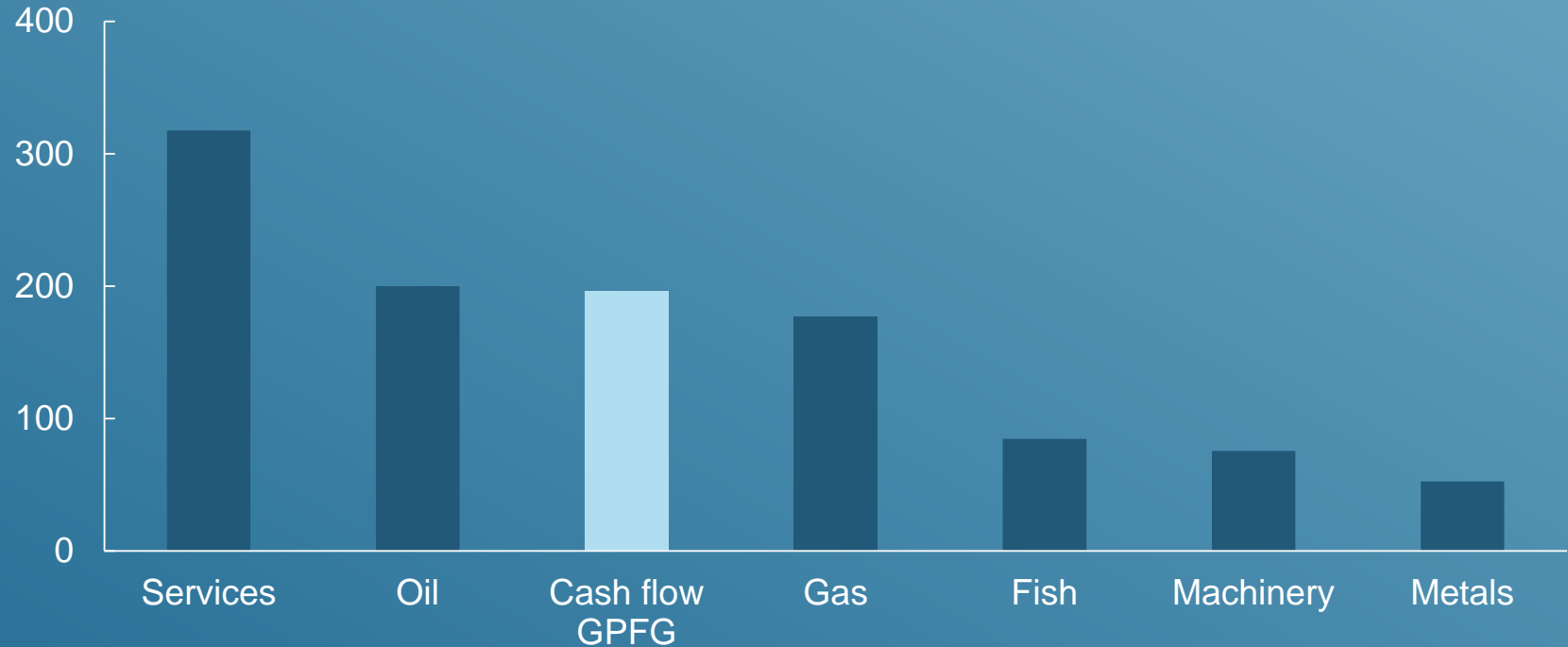


Source: Statistics Norway



# Open markets

Exports and the GPFG's dividend, interest and rental income.  
In billions of NOK. 2016

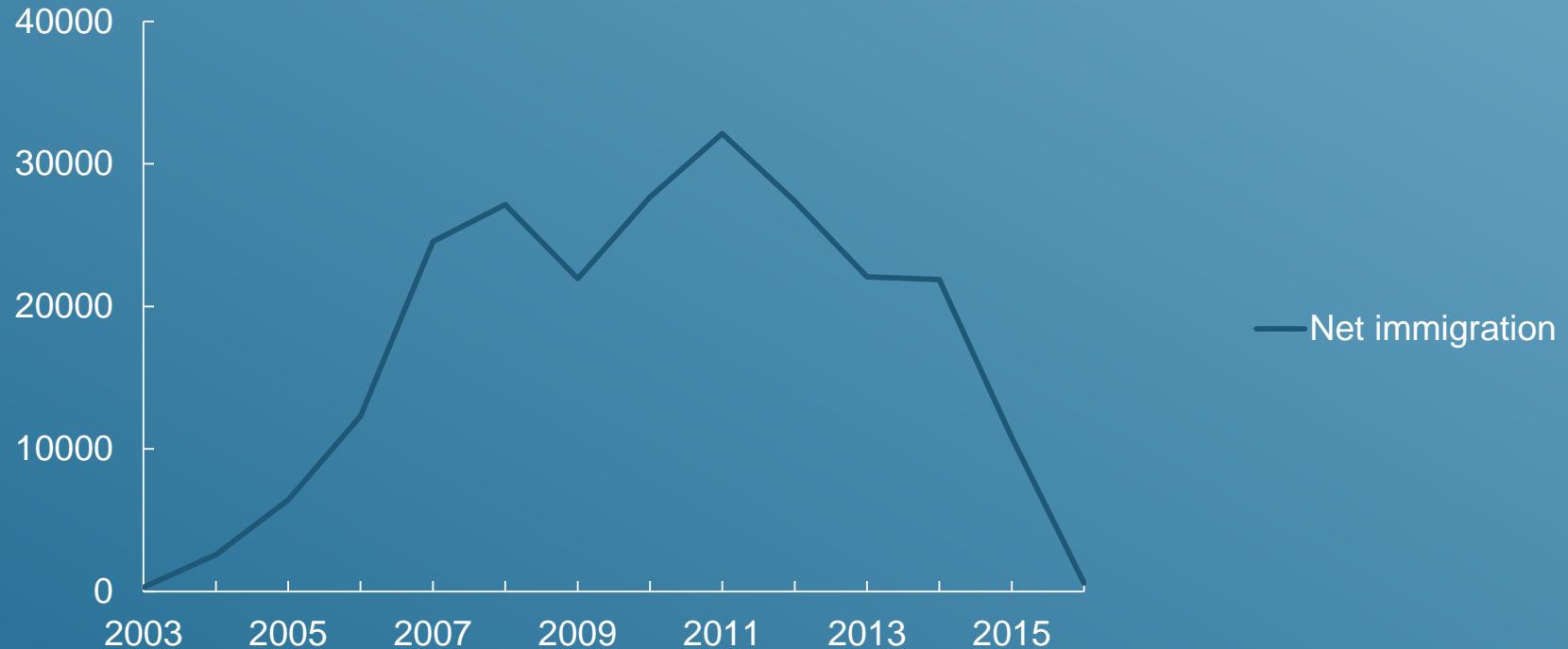


Sources: Statistics Norway and Norges Bank



# Flexible labour supply

Net immigration from EU/EEA countries. Number of persons



Source: Statistics Norway





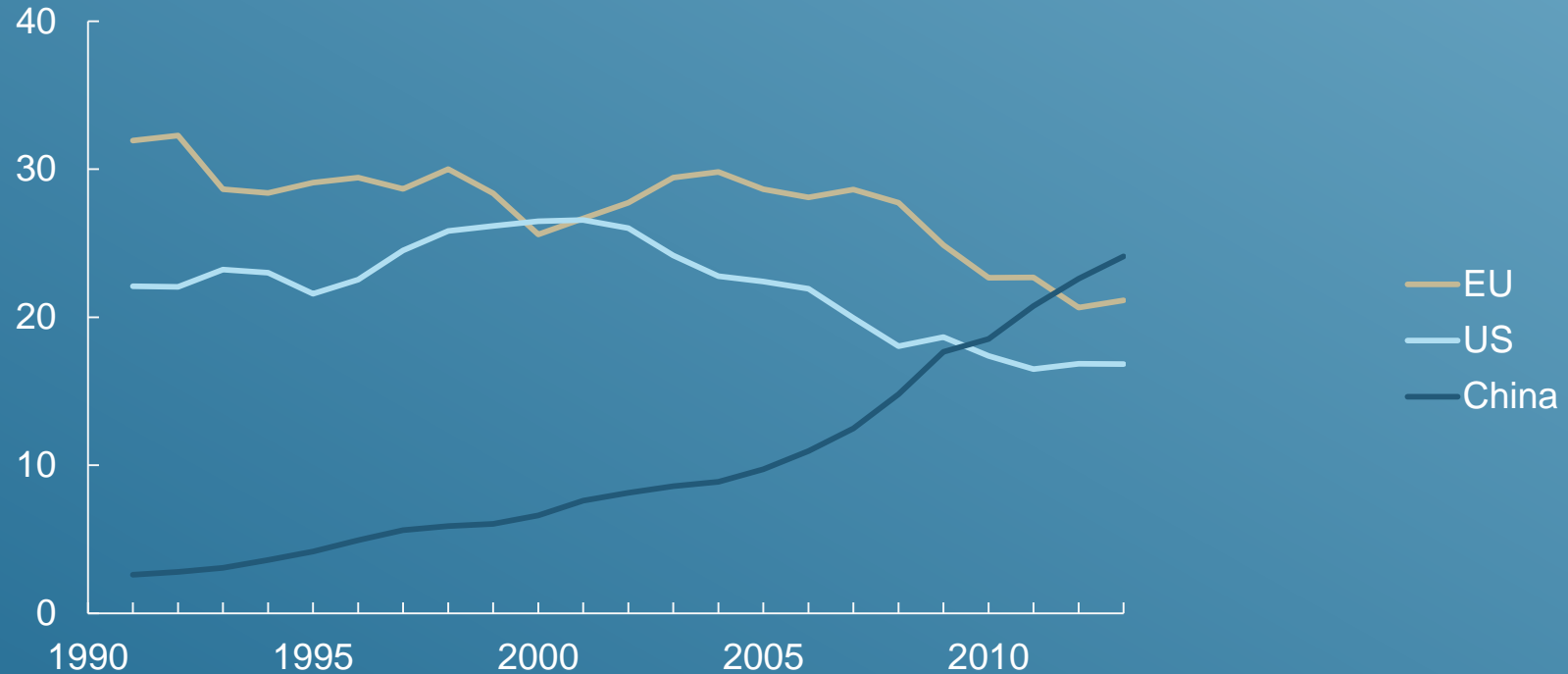
# Trade facilitates technological advances

- Specialisation more profitable
- Productive enterprises grow
- Knowledge transfer
- Stimulates innovation
- Cheaper and/or better inputs



# China rises to importance

Share of global manufacturing output. Percent

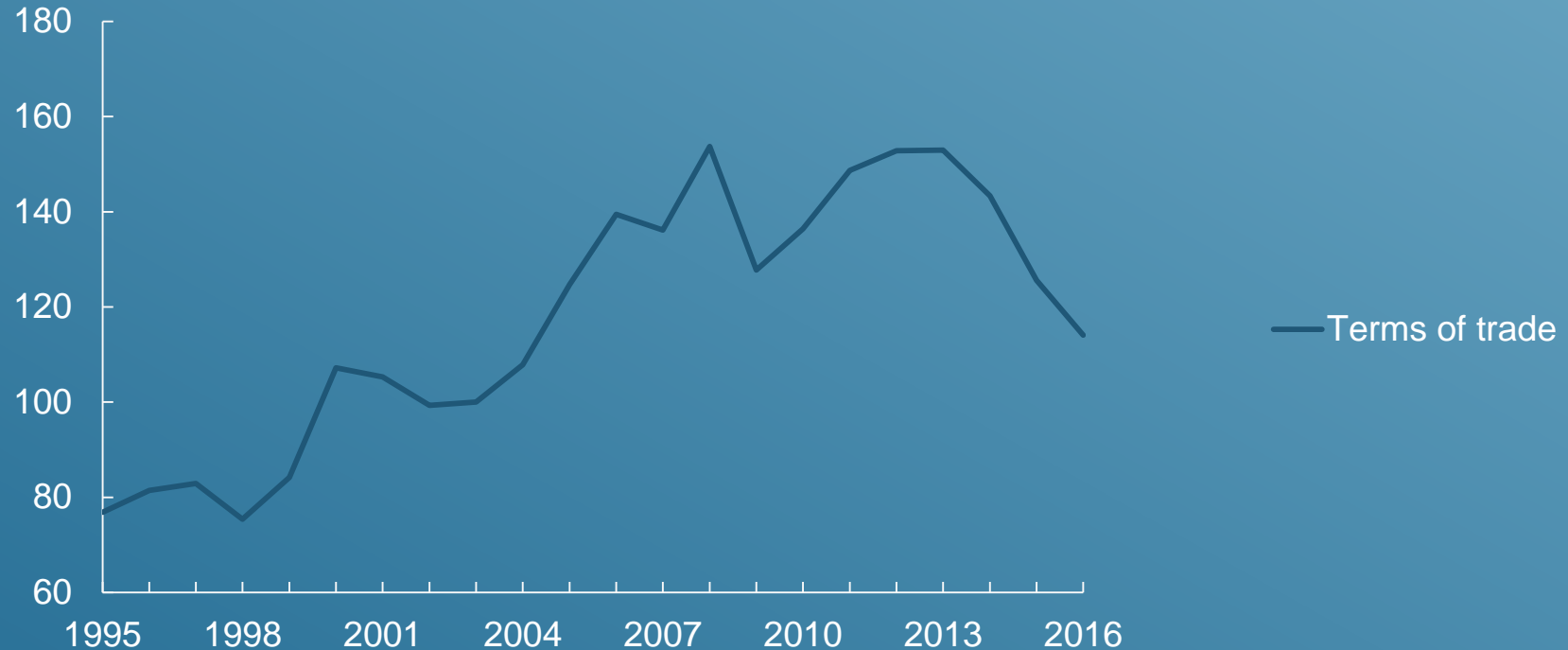


Source: World Bank



# A double gain for Norway

Terms of trade. Index 2003=100

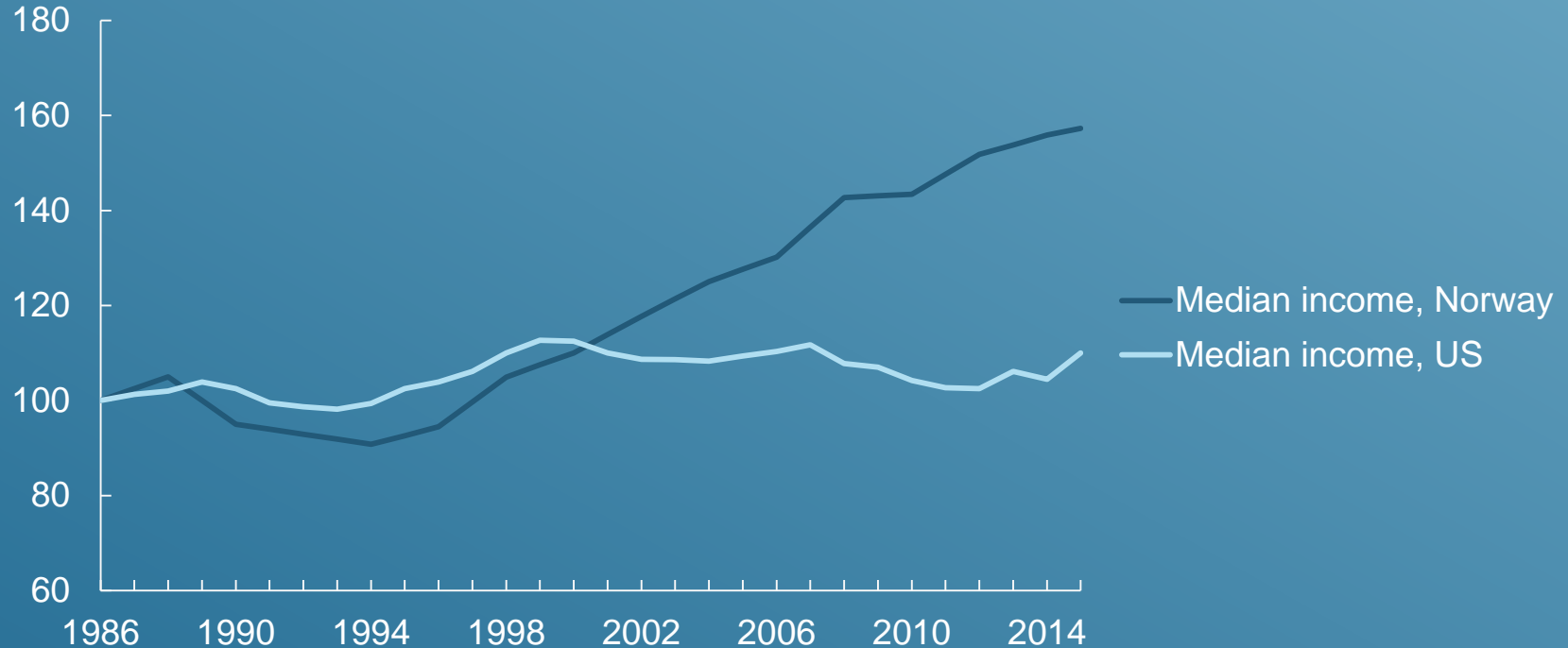


Sources: Statistics Norway and Norges Bank



# Who benefits from the gains?

## Median income in the US and Norway

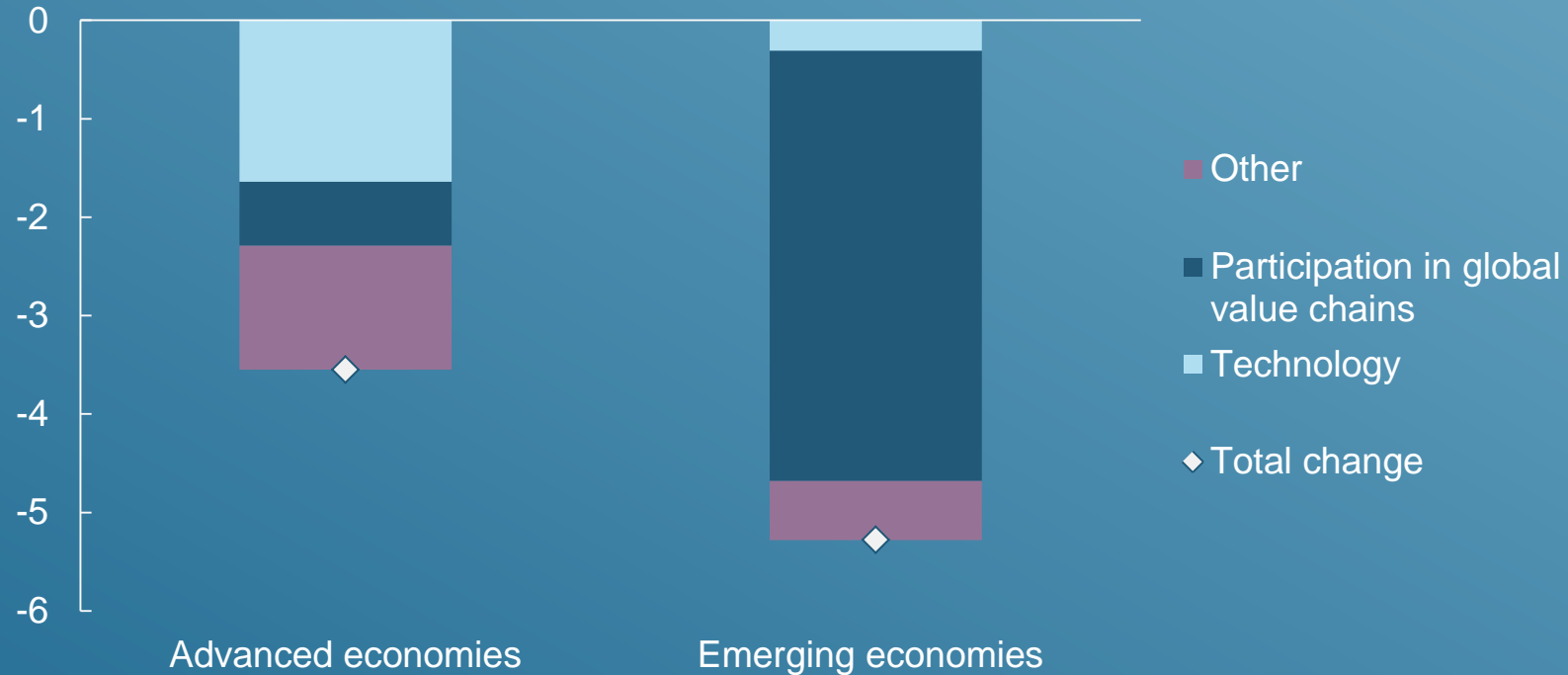


Sources: Statistics Norway and US Census Bureau



# The gains are unevenly distributed

Contributions to changes in the labour share. 1993–2014



Source: IMF



# Challenges

- Sharing the gains (wages, employment, public services)
- Small countries have much to lose from closed borders
- Complementary vs alternative production



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# The fall in oil prices

USD per barrel, Brent Blend



Sources: Thomson Reuters and Norges Bank





# The krone has tracked the oil price

USD per barrel Brent Blend and import-weighted exchange rate index<sup>1)</sup>

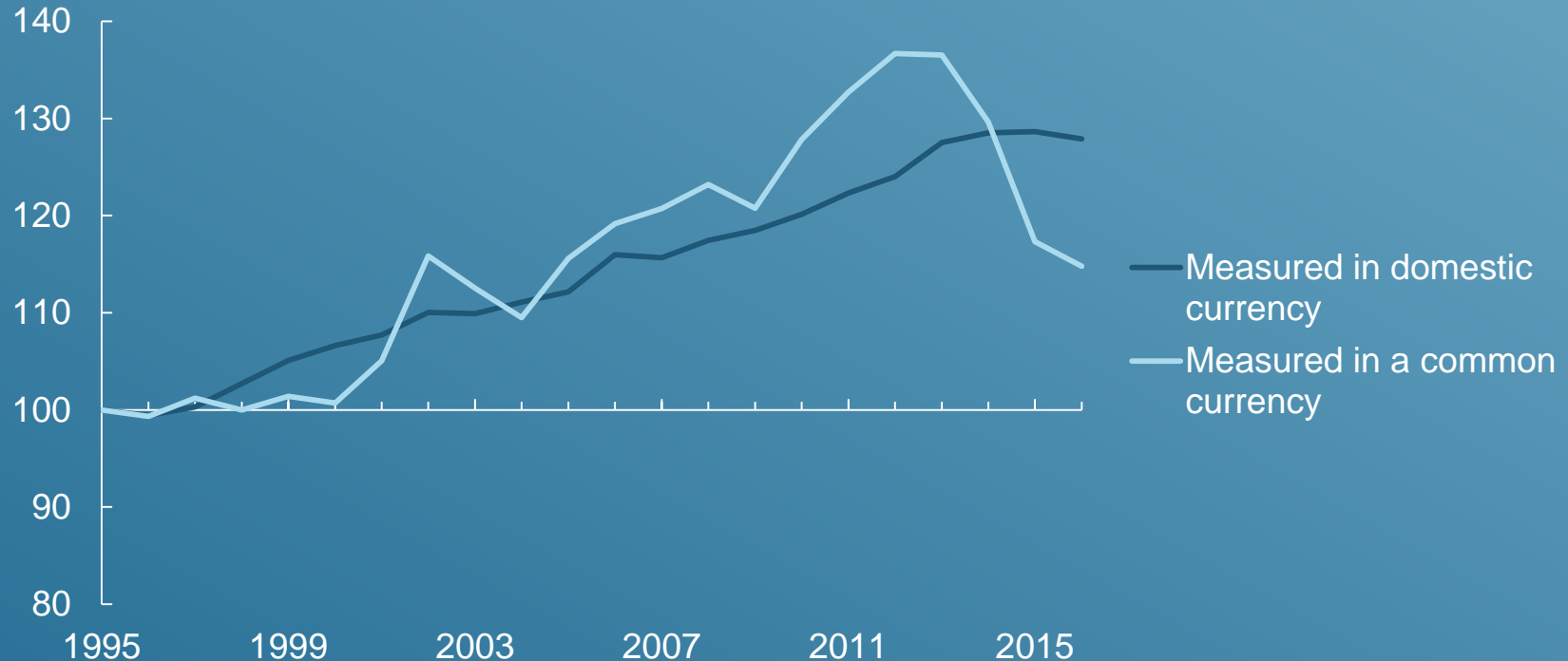


1) A positive slope denotes a stronger krone exchange rate.  
Sources: Thomson Reuters and Norges Bank



# Improved competitiveness

Labour costs in Norway relative to trading partners'.<sup>1)</sup> Index 1995=100



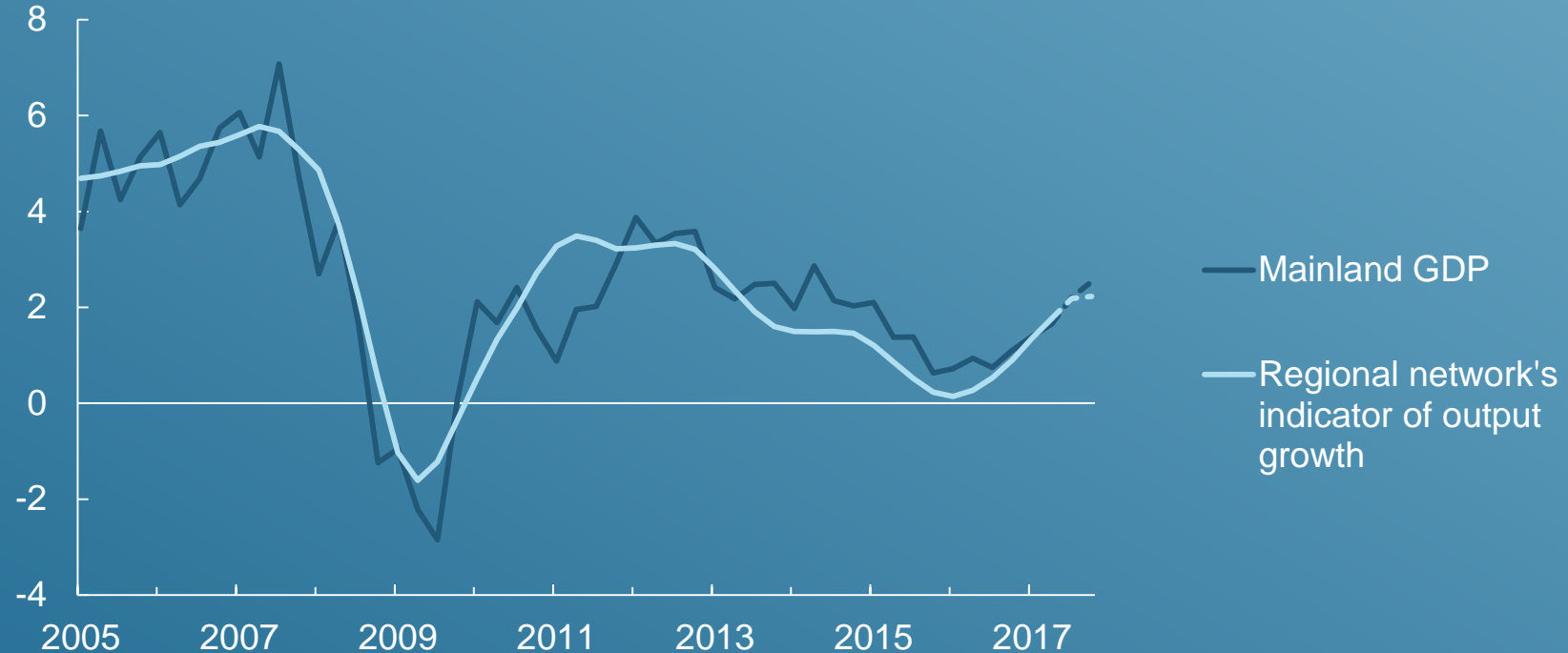
1) Hourly labour costs in manufacturing.

Sources: Norwegian Technical Calculation Committee for Wage Settlements (TBU), Statistics Norway and Norges Bank



# Growth has picked up

Production. Four-quarter percentage change

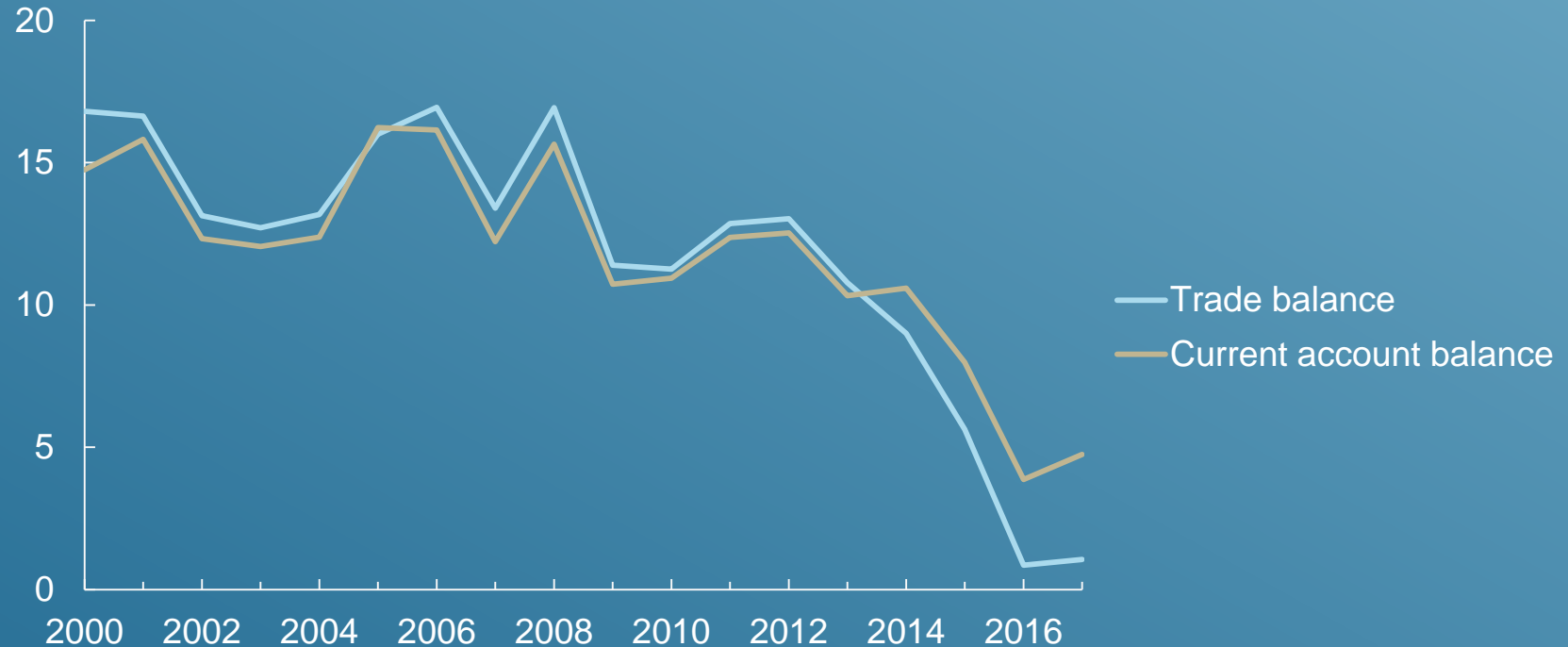


Sources: Norges Bank and Norges Bank's regional network



# More like other countries

Trade and current account balance. Percent of GDP



Sources: Statistics Norway and Norges Bank



# An economy undergoing structural changes?

Changes in employment between 2014 Q3 and 2017 Q2. In thousands of persons

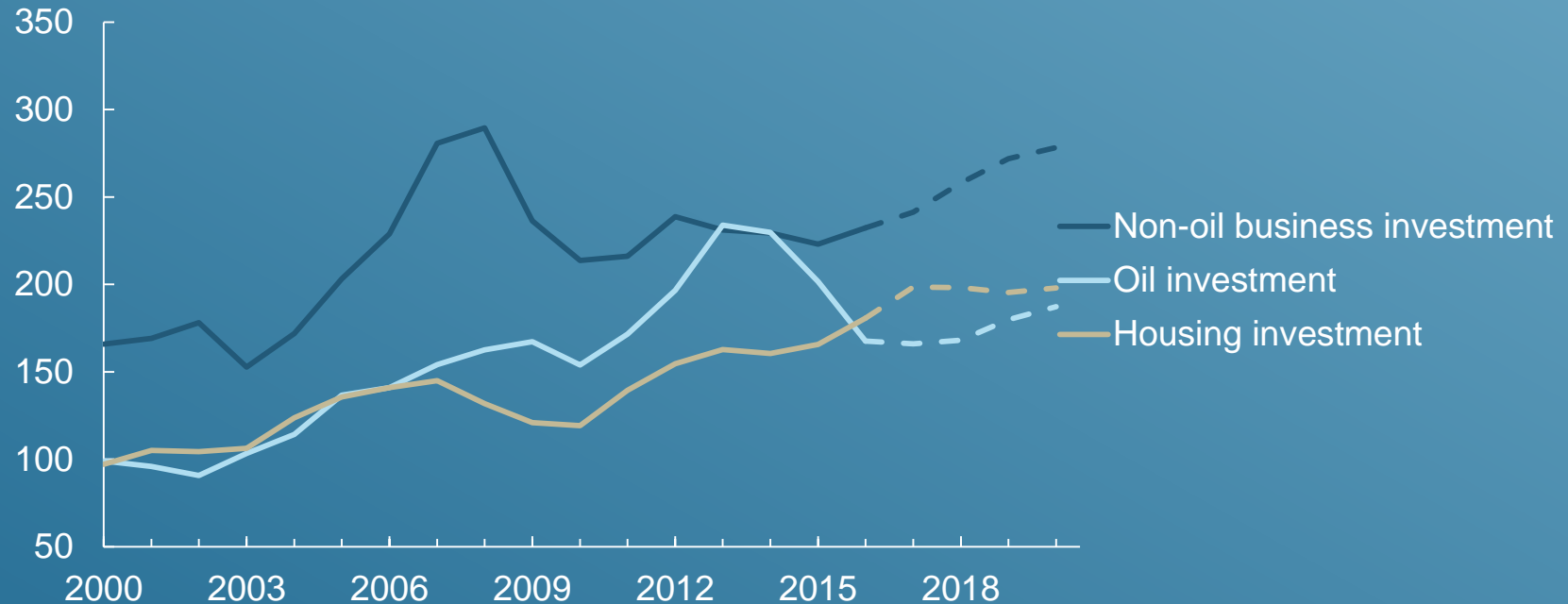


Sources: Statistics Norway and Norges Bank



# A shift in driving forces

Constant 2015 prices.<sup>1)</sup> In billions of NOK



1) Projections for 2017–2020 from MPR 3/17.  
Sources: Statistics Norway and Norges Bank





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