



# OECD ECONOMIC SURVEY OF NORWAY

## Maintaining a successful economy in a changing world

Centre for Monetary Economics, Oslo, Tuesday 19  
December 2017

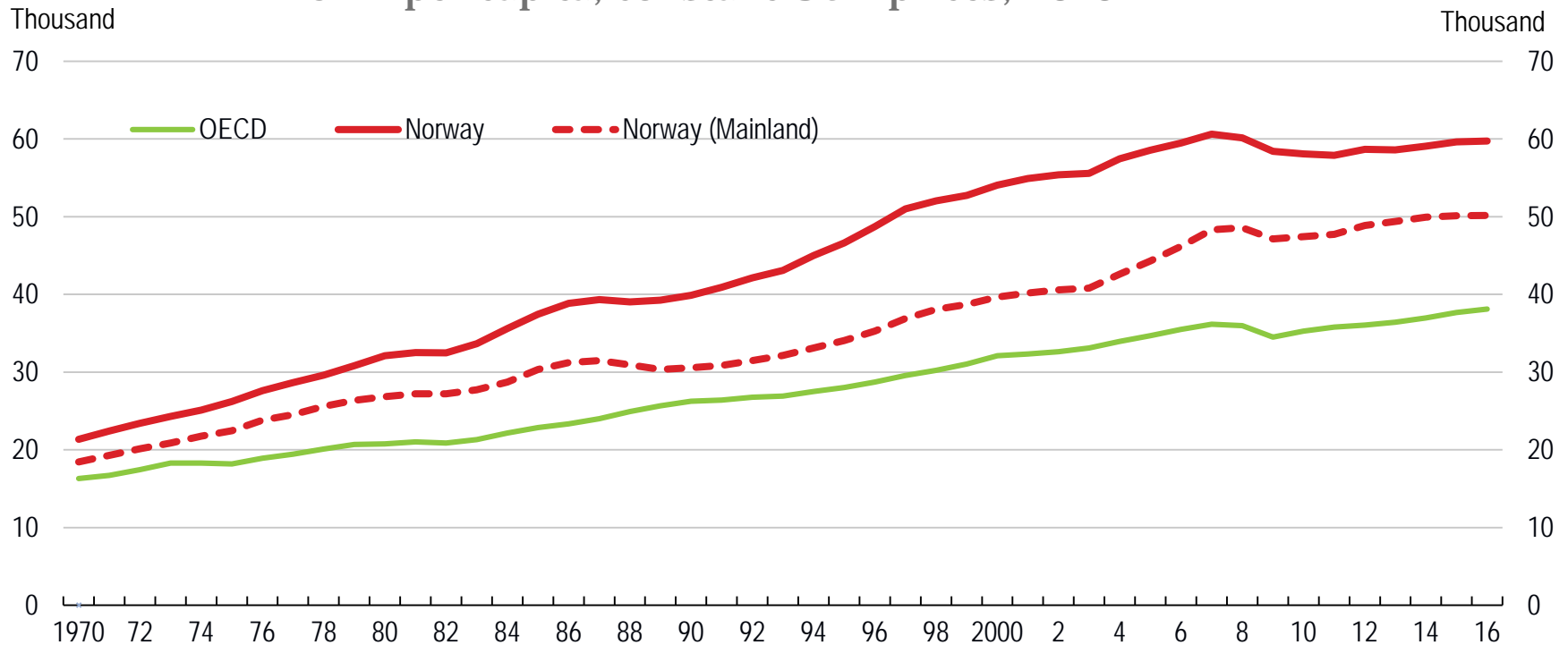
[www.oecd.org/eco/surveys/economic-survey-norway.htm](http://www.oecd.org/eco/surveys/economic-survey-norway.htm)





## Norway's GDP per capita remains impressive

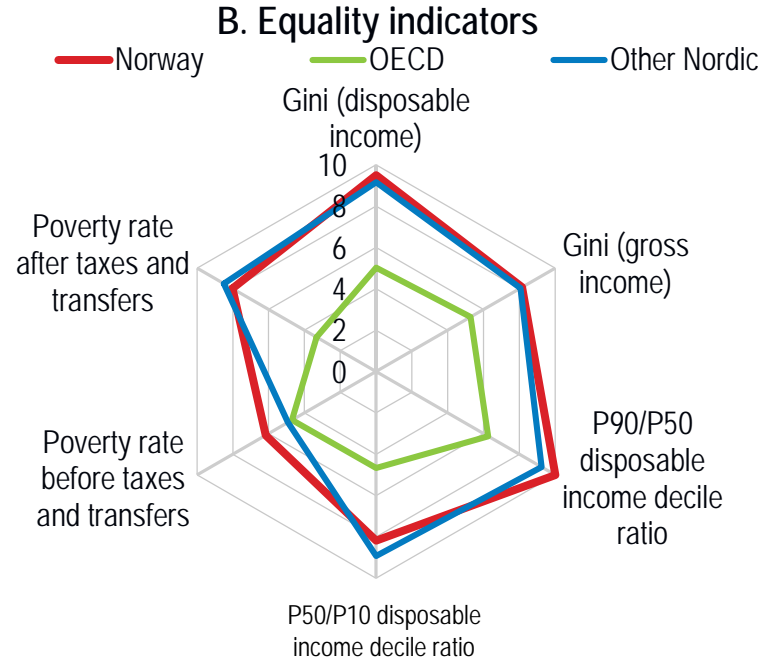
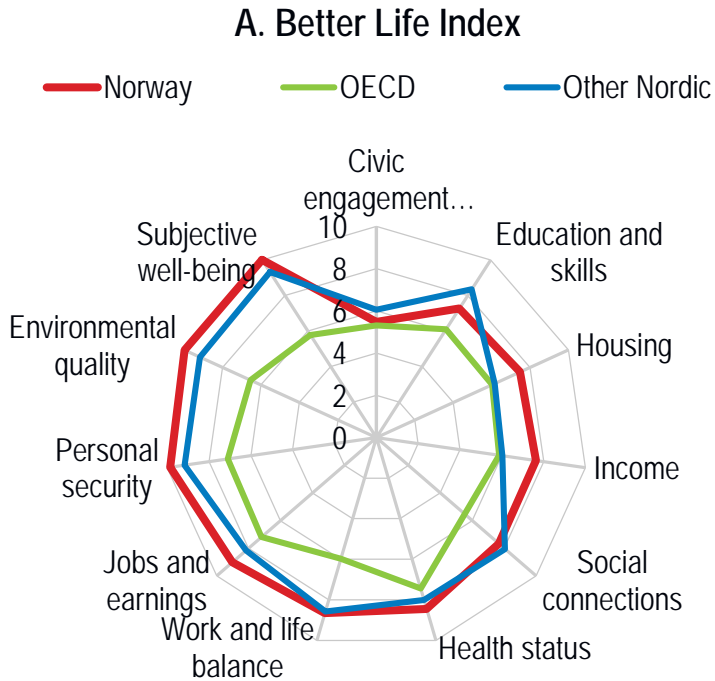
GDP per capita, constant USD prices, 2010 PPP



- **GDP per capita is equivalent to about 60 000 US dollars, a material living standard very few countries have achieved**



# Living standards are high and inequality is low

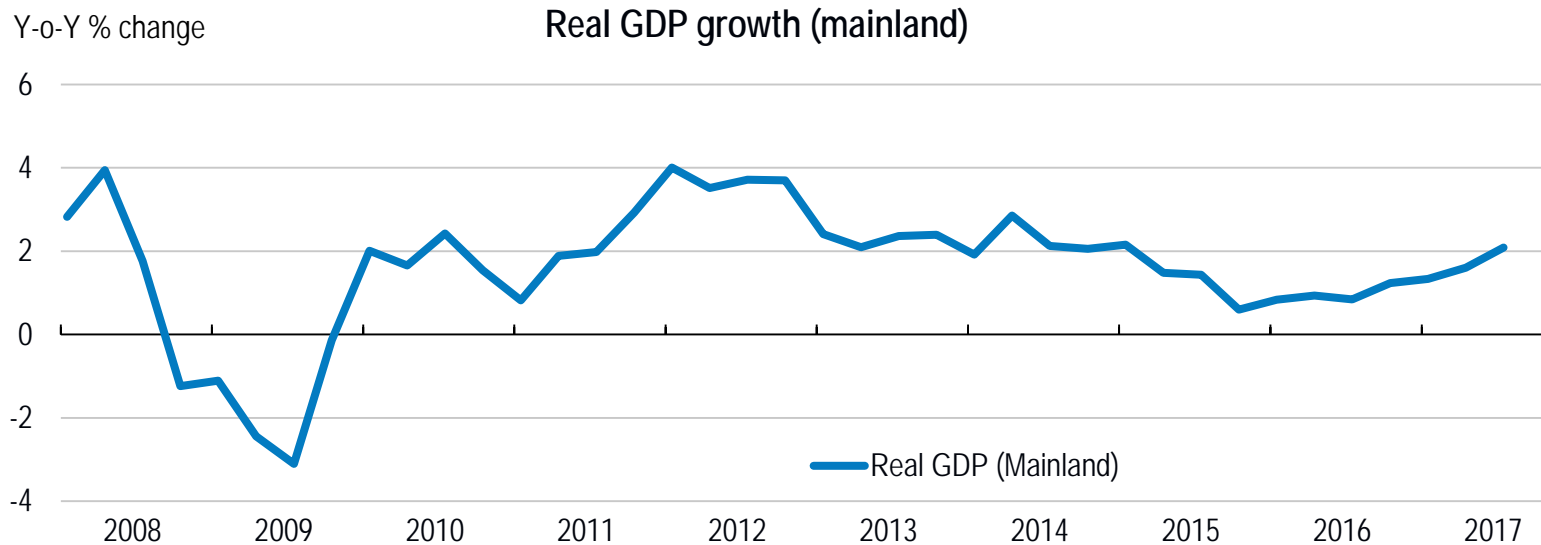


Note: "Other Nordic" group comprises Denmark, Finland and Sweden. Indicators are rescaled from 0 (worst) to 10 (best).

Source: OECD Better Life Index 2016.



# The economy is picking up



- **Mainland real GDP is projected to grow by over 2% in 2018 and 2019**
- **Business investment and household consumption growth will be key drivers**



## Key themes of the *Survey*

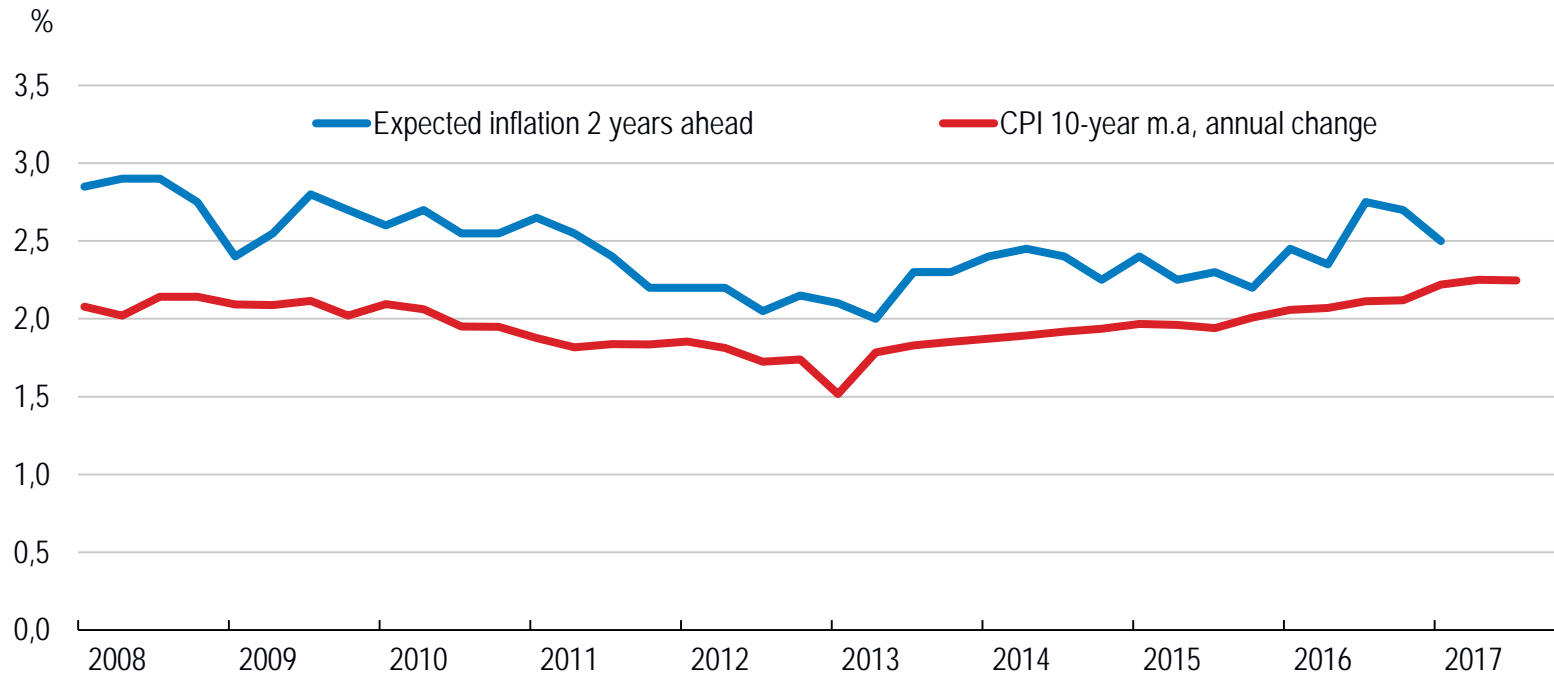
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- **Macroeconomic risks**
- **Public-spending efficiency**
- **Business competitiveness**



## Little risk from consumer-price inflation

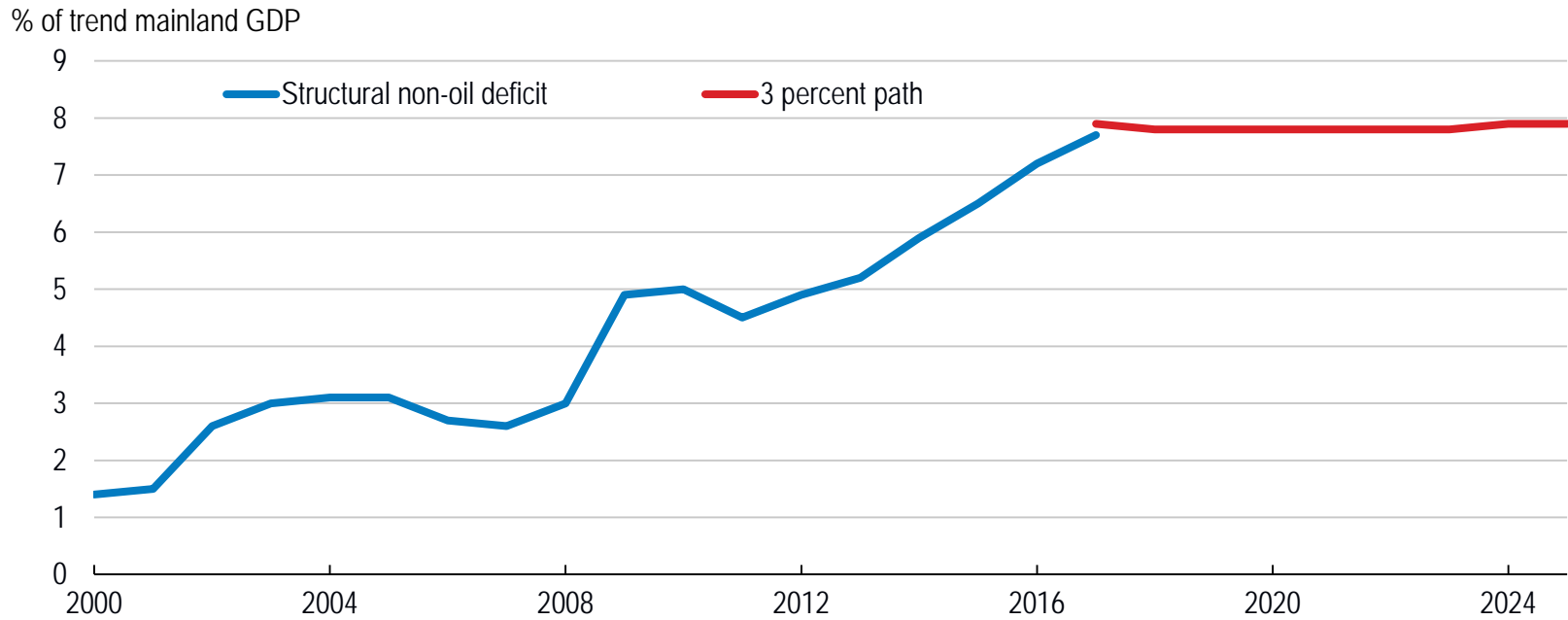
Long term CPI growth and expectations



- **Trend outcomes and expectations of consumer-price inflation remain close to *Norges Bank's* 2.5% target**



# Adjustment of the fiscal rule: a good move

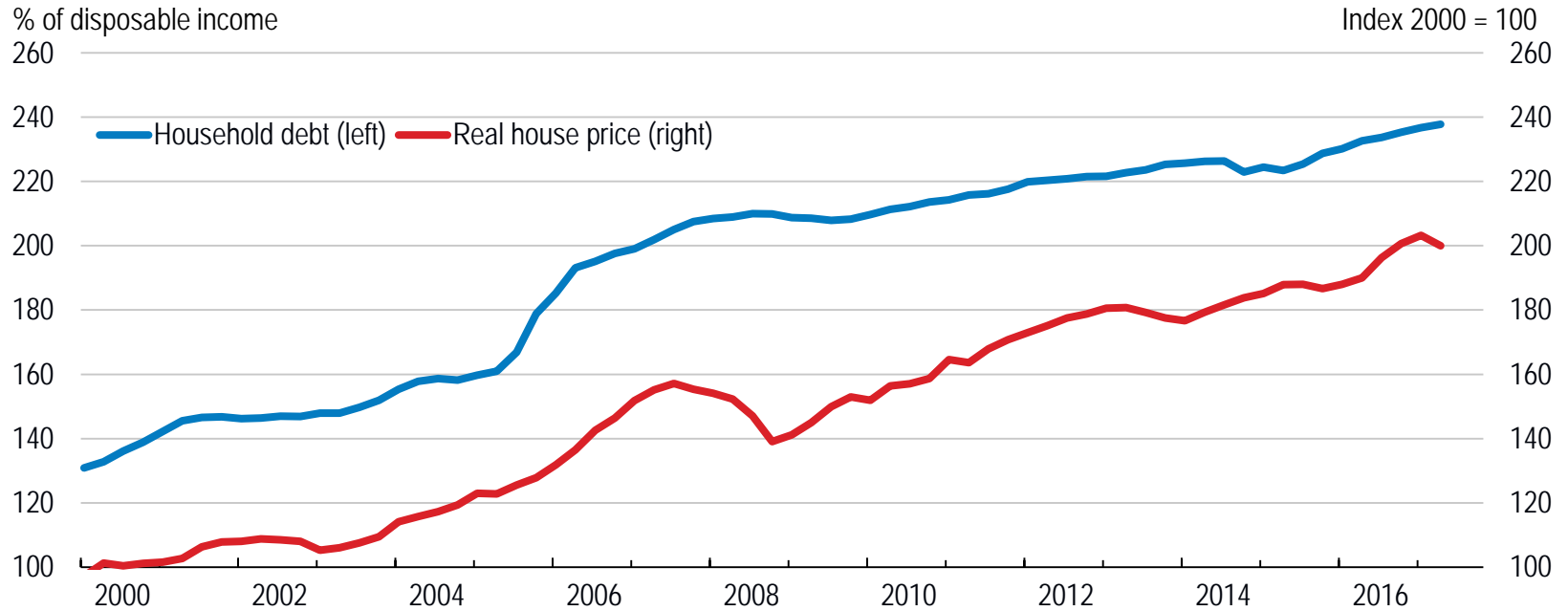


Source: Ministry of Finance.



# Housing market and related debt: the No.1 risk

Household debt and house prices

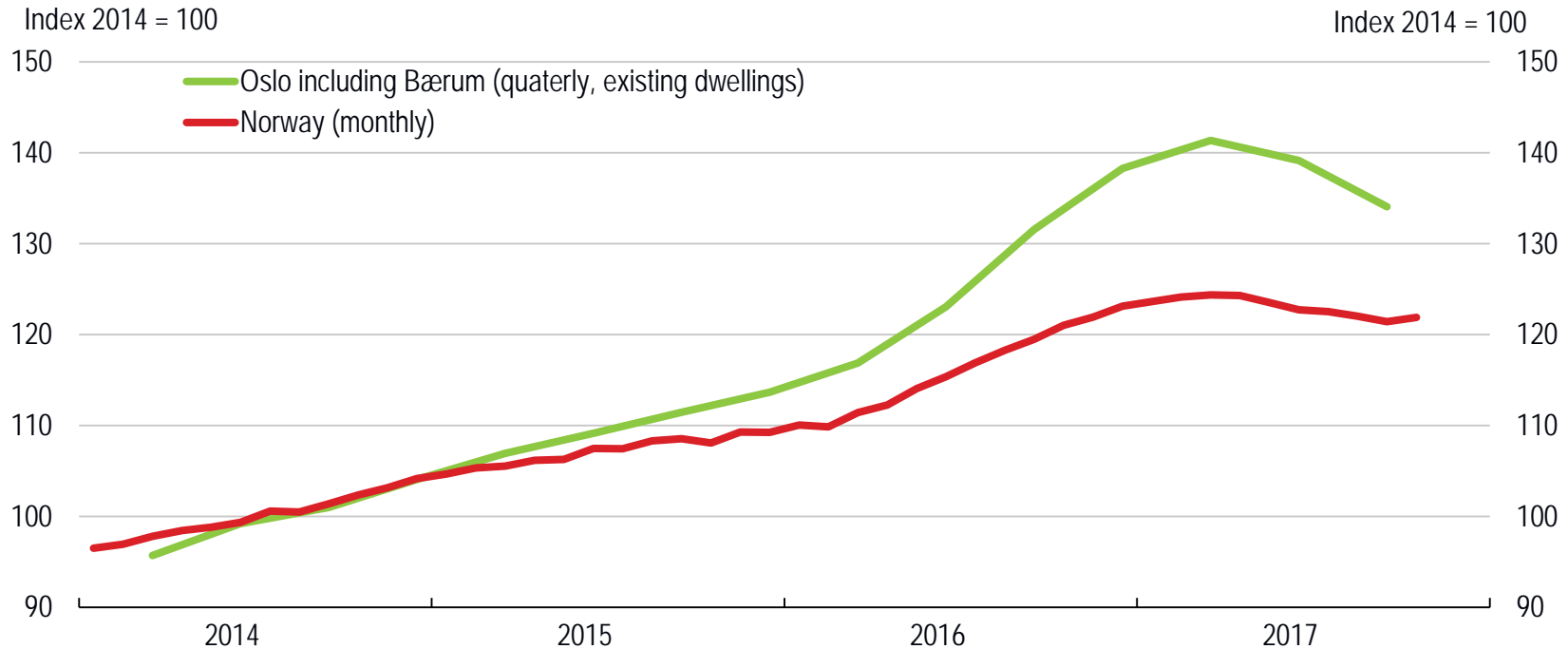


Source: Statistics Norway; Norges Bank ; and OECD Analytical database.





## House prices have fallen in recent months, especially in Oslo





# What problems could a housing-market correction generate?

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- **Demand downturn via from weakening household consumption (more likely)**
- **Direct threat to banking sector (less likely)**



## Recommendation regarding the housing market

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- **Be prepared to respond to a hard landing in the housing and debt markets. This should include, as necessary, delay to monetary policy normalization and the introduction of targeted fiscal policy.**



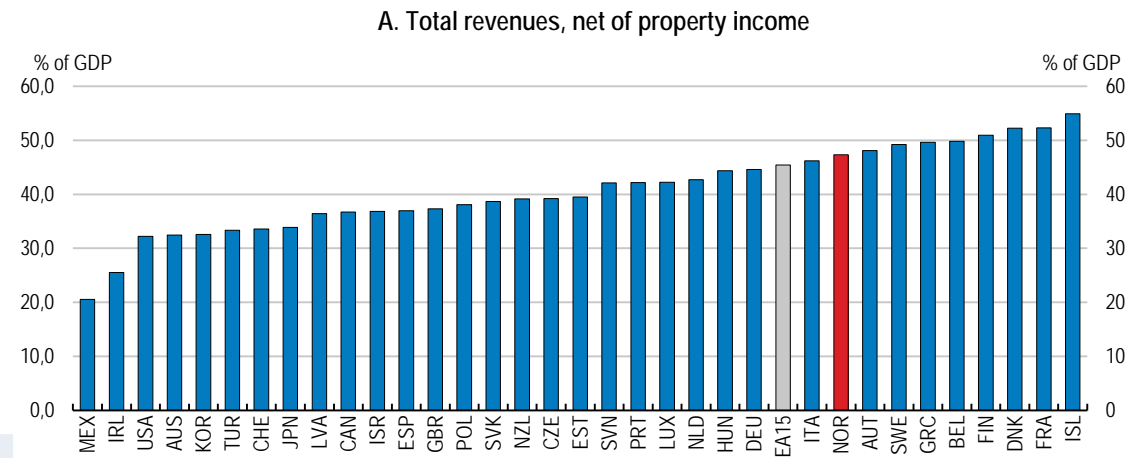
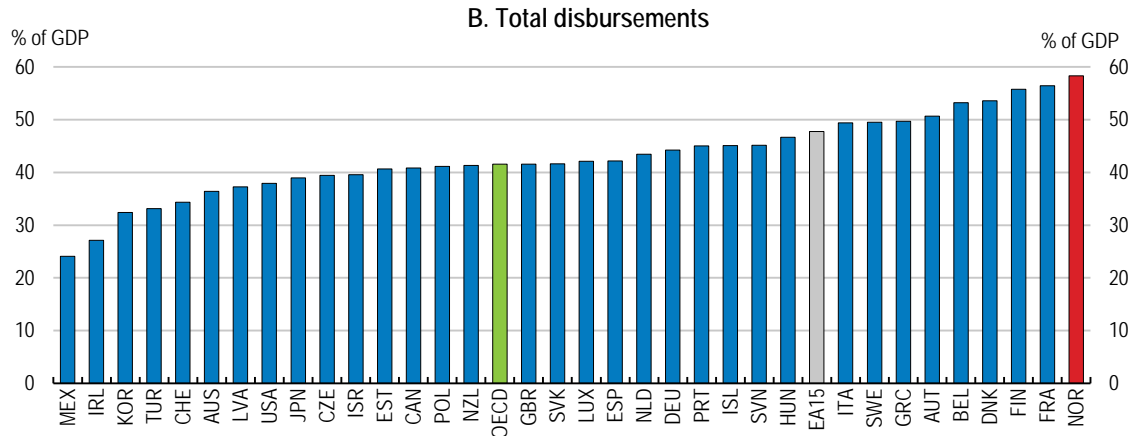
## Other macroeconomic risks

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- **Oil price**
- **External demand, particularly Europe**
- **Domestic upswing failure**



# Public-spending efficiency: comprehensive public services and investment absorb considerable resources

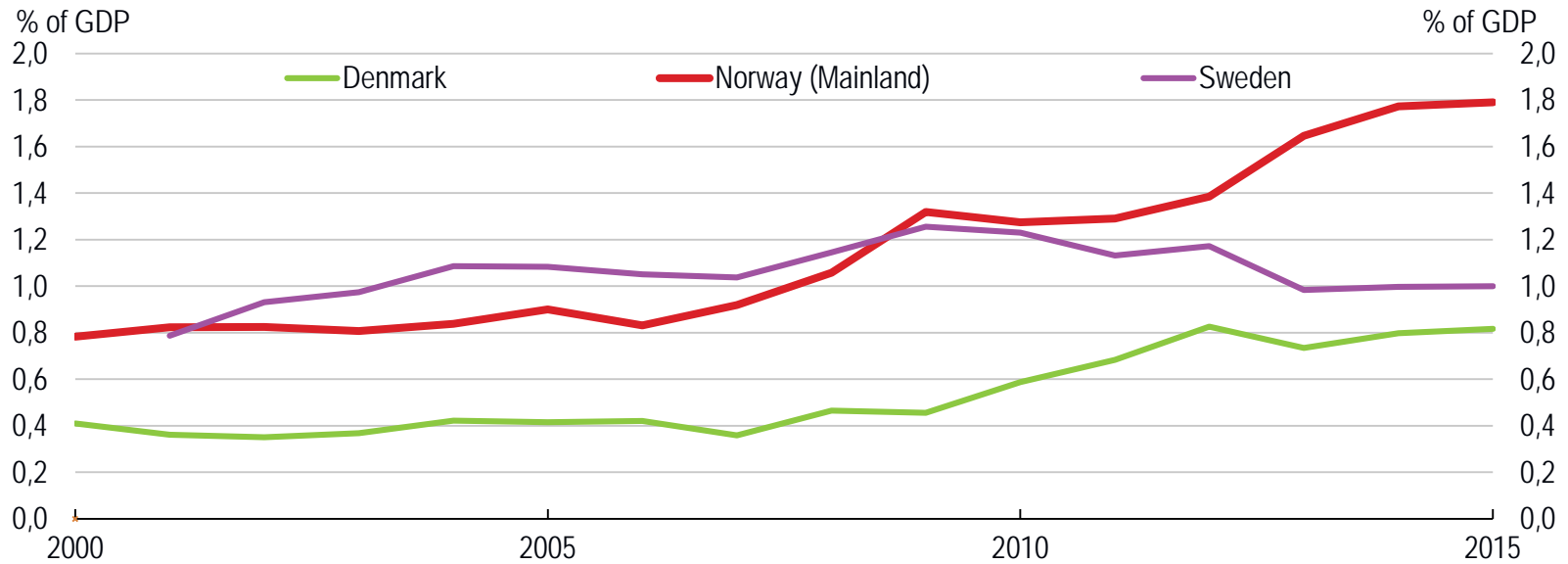


Note: Norway Total mainland receipts minus mainland property income, as % of mainland GDP; Total disbursements as % of mainland GDP.



# Norway invests heavily in transport infrastructure

General Government investment in transport



Source: OECD National Accounts database.



## The key problems appear to be:

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- 1. “Gold plating” in the planning process**
- 2. Final selection includes poor-ranking projects in terms of economic criteria**



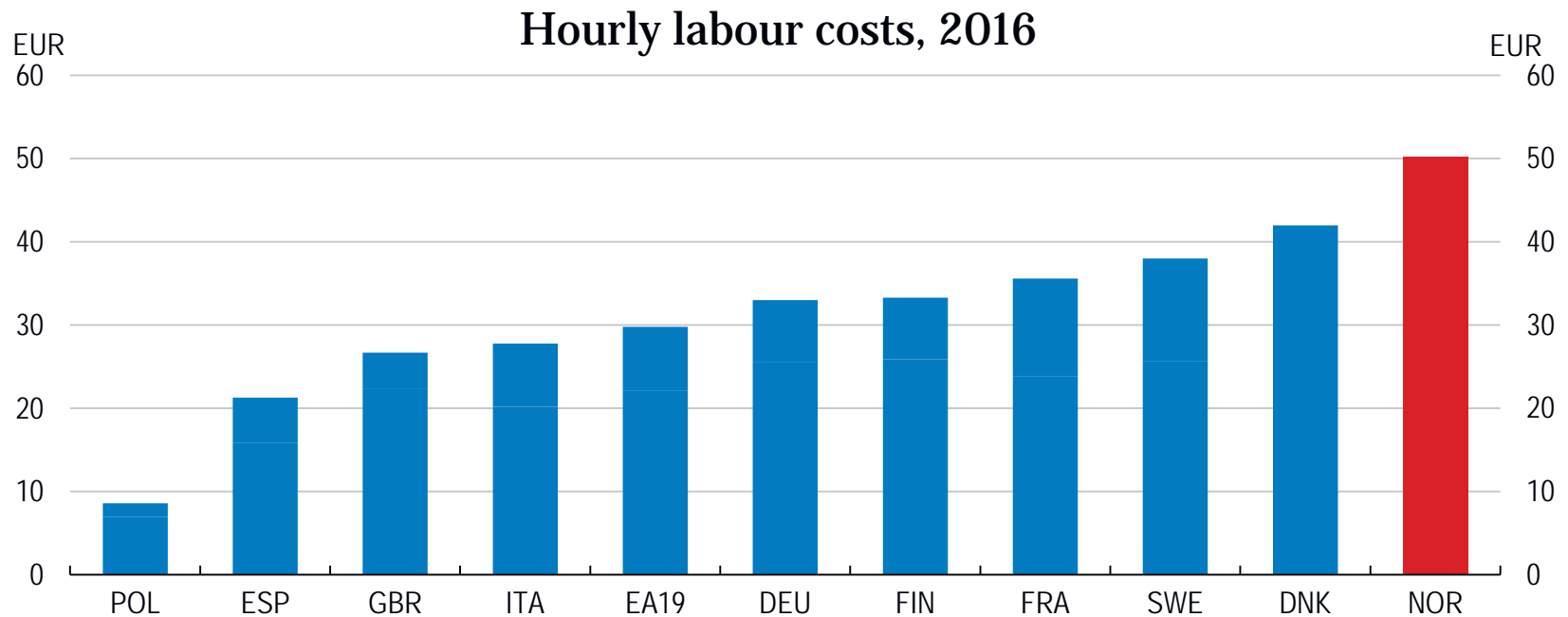
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# Business competitiveness





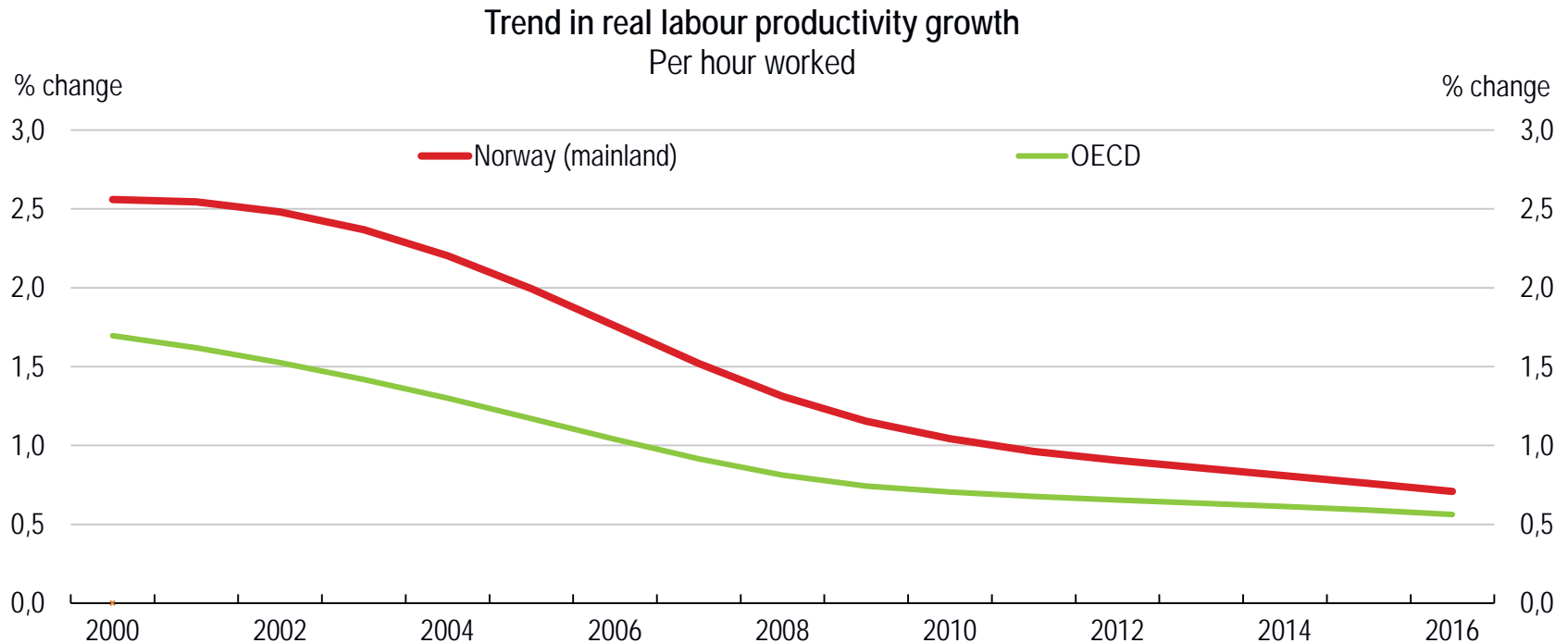
## Business competitiveness: cost challenges



- **At 50 euros per hour, Norway has much higher average labour costs than many countries**
- **Business conditions on other fronts need to be top-ranking for Norwegian business to compete**



## And (as elsewhere) productivity slowdown



- **Norway's trend labour productivity growth fell from about 2.5% in 2000 to 0.75% in 2016**



**The areas where policy can make the biggest difference are probably:**

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**1. Taxation**

**2. Education**



## Other areas for policy attention

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- 1. Competition law, state ownership (market competitiveness)**
- 2. Red tape, insolvency (firm dynamics)**
- 3. Innovation policy**
- 4. “Disruption”**
- 5. Labour supply**



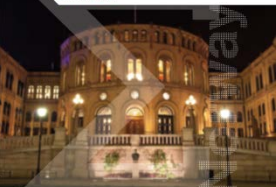
# Thank you...


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# Extra slides

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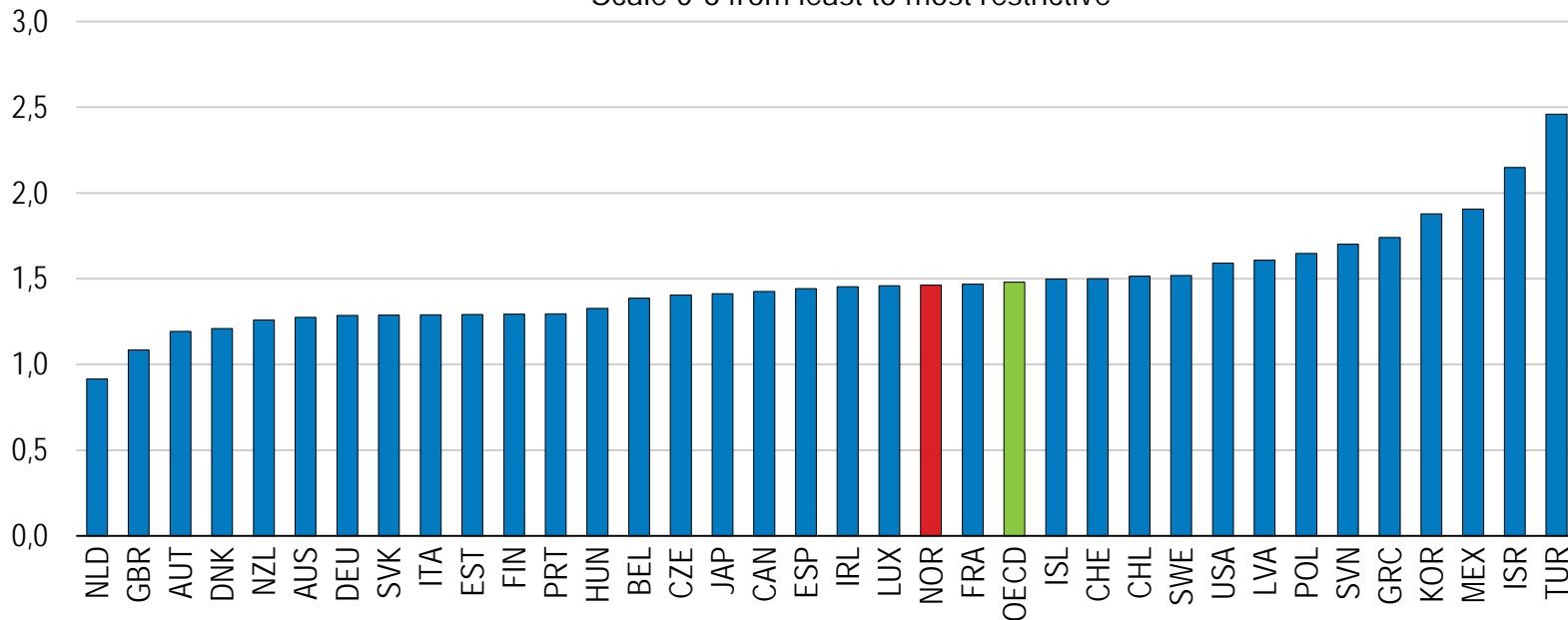
## Major road projects initiated in the period 2014-17

Corridor	Number of projects	Net benefit (NOK million)	Cost (NOK million)	Net Benefit to Cost ratio
1. Oslo-Svinesund-Kornsjø	1	-860	1830	-0.47
2. Oslo-Ørje/Magnor	2	-1790	4750	-0.38
3. Oslo-Grenland-Kristiansand-Stavanger	7	12080	33890	+0.36
4. Stavanger-Bergen-Ålesund-Trondheim	4	18020	26800	+0.67
5. Oslo-Bergen/Haugesund. Branch via Sogn to Florø	4	-2320	8950	-0.26
6. Oslo-Trondheim. Branches to Måløy, Ålesund, and Kristiansund	3	5210	6500	+0.80
7. Trondheim-Bodø. Branches to the Swedish border	2	-1740	5670	-0.31
8. Bodø-Narvik-Tromsø-Kirkenes. Branches to Lofoten and the national border	2	-530	1890	-0.28



## There is room to improve regulation

OECD Product Market Regulation (PMR) indicator, 2013  
Scale 0-6 from least to most restrictive

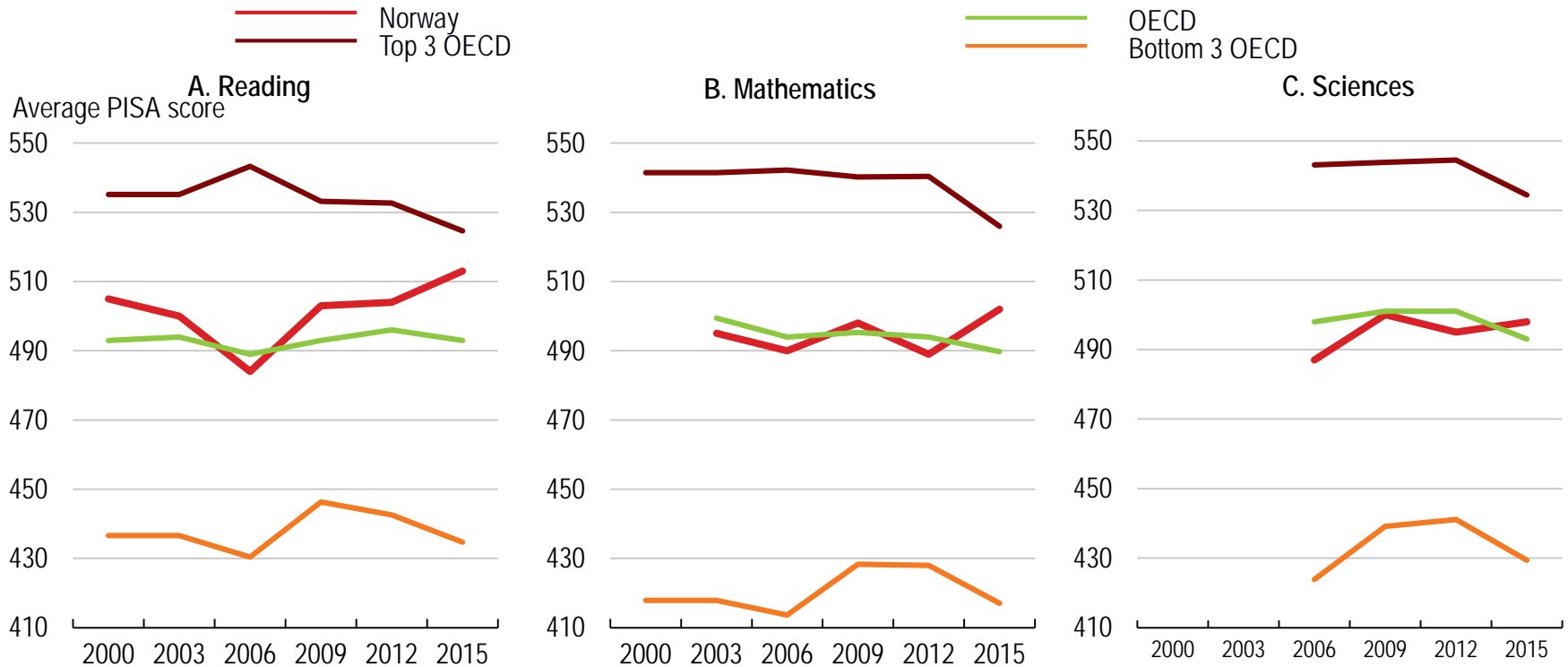


- **The OECD's Services Trade Regulation Index also points to middle-ranking performance**





# Norway's PISA scores in mathematics and science remain middle-ranking



- **Globalisation reinforces the importance of skills-based education**
- **Many vocational-stream students do not complete courses**

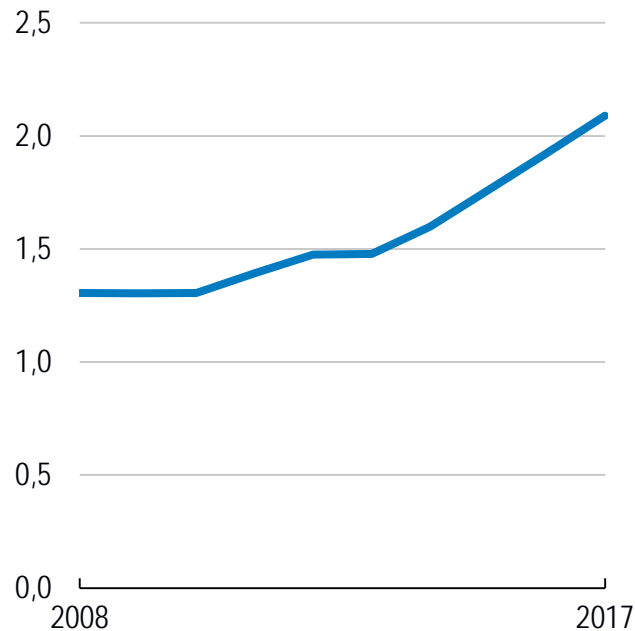
Source: OECD PISA 2000-2015 Databases.



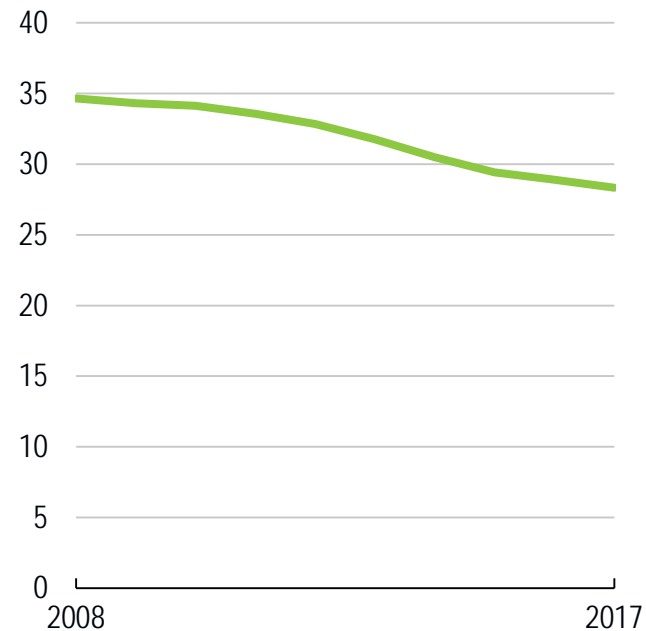
# Recipiency of Disability Benefit remains an issue

People on Disability Benefit, % of age category

A. Age 18-34



B. Age 50-67



- **Benefit recipiency among older cohorts is falling but remains high**
- **Recipiency is becoming more common in young cohorts**

Source: Norwegian Labour and Welfare Administration (NAV).