OECD
ECONOMIC SURVEYS
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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

NORWAY

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

JANUARY 1985

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to article 1 of the Convention signed in Paris on 14th December, 1960, and which came into force on 30th September, 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The Signatories of the Convention on the OECD are Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The following countries acceded subsequently to this Convention (the dates are those on which the instruments of accession were deposited): Japan (28th April, 1964), Finland (28th January, 1969), Australia (7th June, 1971) and New Zealand (29th May, 1973).

The Socialist Federal Republic of Yugoslavia takes part in certain work of the OECD (agreement of 28th October, 1961).

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BASIC STATISTICS OF NORWAY

THE LAND

Area (1 000 sq. km) 1983	324	Major cities (1.1.83):	
Agricultural area (1 000 sq. km) 1983	9	Oslo	448 747
Productive forests (1 000 sq. km) 1983	65	Bergen	207 232

THE PEOPLE

Population (31.12.83)	4 134 353	Civilian employment, 1983	1 957 000
No. of inhabitants per sq. km	13	*of which:* Industry (%)	28.1
Net natural increase (average 1974-1983)	16 136	Agriculture, forestry and fishing (%)	7.5
Per 1 000 inhabitants (average 1974-1983)	4.0	Other activities (%)	64.4

PRODUCTION

Gross domestic product in 1983 (millions of Kr.)	401 769	Gross fixed capital formation (1983):	
GDP per head (US$)	13 312	Percentage of GDP	25.1
		Per head, US$	3 336

THE GOVERNMENT

Public consumption in 1983 (percentage of GDP)	19.5	Composition of Parliament (No. of seats):	
General government current and capital expenditure in 1983 (percentage of GDP)	44.5	Labour party	66
		Conservative party	53
General government current revenue in 1983 (percentage of GDP)	52.9	Christian democratic party	15
		Centre (Agrarian) party	11
		Progress party	4
		The socialist left party	4
		Liberal party	2
		Total	155
Last general election: 1981		Next general election: September 1985	

FOREIGN TRADE

Exports of goods and services as a percentage of GDP (average 1979-1983)	46.1	Imports of goods and services as a percentage of GDP (average 1979-1983)	40.1
of which:		Main imports in 1983 (percentage of total commodity imports):	
Gross freight and oil drilling earnings (1979-1983)	9.2	Ships	3.2
Main exports in 1983 (percentage of total commodity exports):		Machinery, apparatus and transport equipment (excl. ships)	17.4
Forestry products	2.7	Raw materials (non-edible) incl. fuels and chemicals	12.5
Base metals and products thereof	8.2	Base metals and products thereof	6.3
Fish and fish products	3.2		
Machinery, apparatus and transport equipment (excl. ships)	5.0		

THE CURRENCY

Monetary unit: Krone		Currency units per US$, average of daily figures:	
		Year 1983	7.30
		Year 1984	8.16
		December 1984	8.92

Note: An international comparison of certain basic statistics is given in an annex table.

This Survey is based on the Secretariat's study prepared for the annual review of Norway by the Economic and Development Review Committee on 17th December 1984.

After revisions in the light of discussions during the review, final approval of the Survey for publication was given by the Committee on 16th January 1985.

INTRODUCTION

Generous policy backed by oil wealth has enabled the Norwegian economy to achieve full-employment growth over the past decade. Indeed, both GDP and employment growth have been among the highest and unemployment among the lowest in the OECD area. Inflation has come down significantly since 1981, but remains above the OECD average. Rapid growth of demand, combined with an egalitarian orientation in wage settlements, has made Norway inflation prone and has led to a considerable weakening of the sectors exposed to international competition. These sectors have lagged in adapting to the changing economic environment, partly because the policies adopted have tended to preserve an inefficient production structure rather than promote structural adjustment. The present Survey begins with a discussion of symptoms of weakened supply responsiveness and their proximate causes.

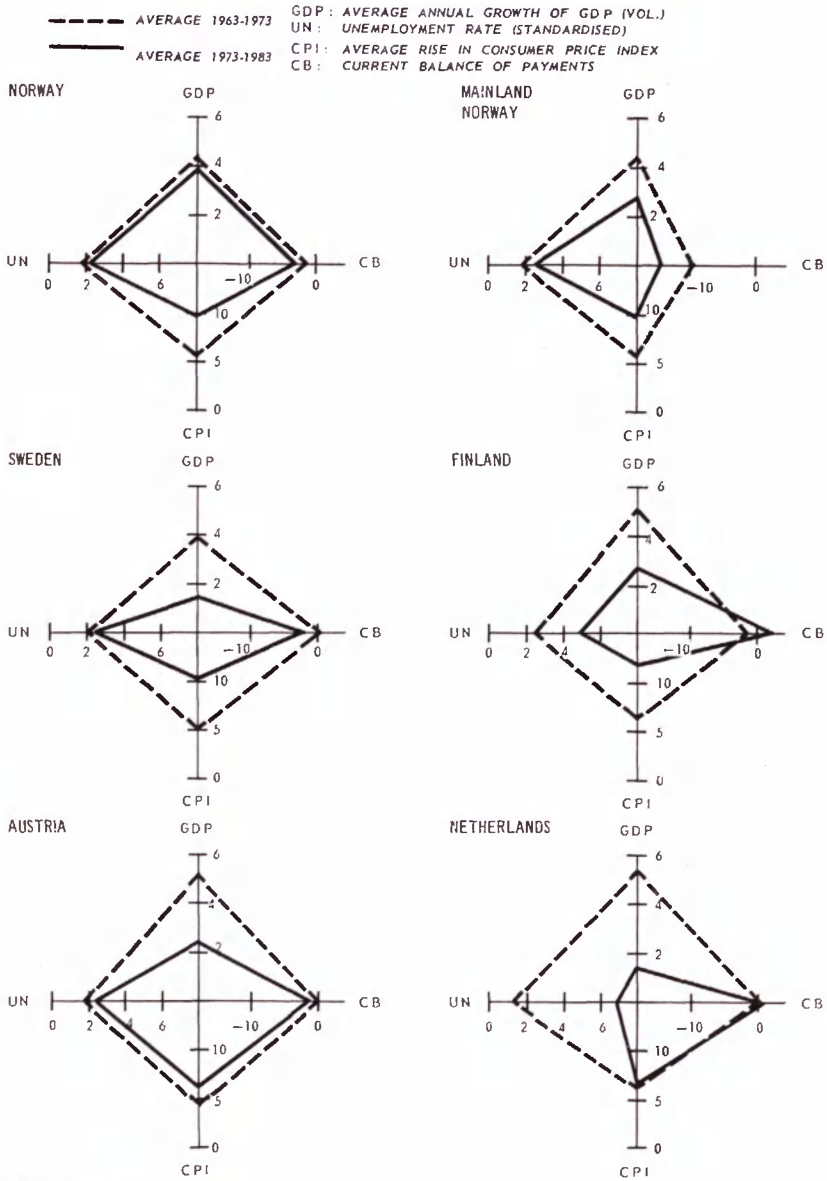
In recent years, there has been a greater awareness of the need to reorientate policies towards strengthening the supply side if the full employment objectives are to be attained over the medium term. Measures in this respect have been taken in various fields. After a brief description of these measures, Part II examines the system of support to the private sector, which binds a considerable amount of productive resources in unprofitable economic activities. An attempt is also made at assessing the macroeconomic costs and the efficiency of this policy against a set of guidelines for positive adjustment policy.

Part III discusses briefly economic developments in 1984, and, against the background of fairly expansionary demand-management policies, the outlook for 1985. In the early phase of the upswing the rise in activity was mainly concentrated in export-competing industries, but broadening of the domestic sectors is now under way. Although inflation has come down, further significant progress is not expected. Unless the growth of wage cost is reduced further this will entail some loss of international competitiveness. The improvement in labour market conditions, seen in 1984, may continue this year. Finally Part IV offers some policy considerations. In particular, it emphasises the potential gains from gradually adjusting the present subsidy system and making wages more responsive to economic circumstances.

I. DETERIORATING SUPPLY RESPONSIVENESS: EVIDENCE FROM THE PAST DECADE

Full employment has been a priority objective of Norwegian economic policy in the entire post-war period. Traditionally it has been secured by expansionary demand stimuli from fiscal policy, low credit cost and relatively abundant availability of funds. But, since the first oil crisis, demand management has had to be supplemented by selective labour market support and direct subsidisation of firms. The weaker expansion of international trade after OPEC I offers only a partial explanation. Through the influence of a rapid absorption of oil revenues (both actual and anticipated), the Mainland Norwegian economy appears gradually to have lost part of its supply responsiveness, becoming inapt at adjusting to the changing international environment. Indeed, other smaller OECD countries have performed equally well without the benefit of oil (Diagram 1). This section discusses these structural problems and some of the proximate causes.

Diagram 1. **Economic performance: international comparison**

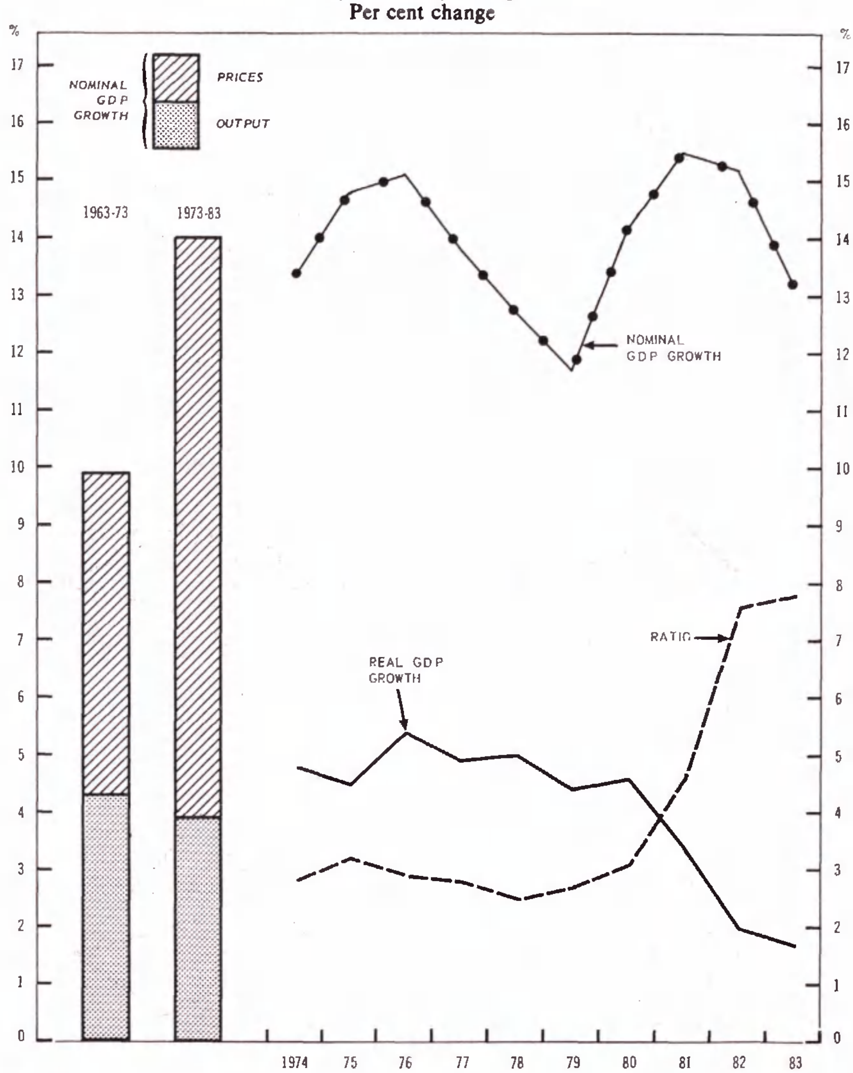


Source: OECD Secretariat.

Symptoms of weakened supply responsiveness

A significant feature of the economic performance in most OECD economies, including Norway, over the past decade, has been the marked steepening of the aggregate supply curve. This has meant in practical terms that any increase in nominal income and demand has been associated with an increasingly smaller part accruing from real output growth and a correspondingly larger part leaking out into higher inflation (Diagram 2)[1].

Diagram 2. **Growth of nominal and real GDP**
3-year moving average
Per cent change



Note: The ratio is nominal GDP growth divided by real GDP growth, indicating how much nominal demand growth has had to increase to generate 1 per cent real growth of GDP.

Source: OECD Secretariat.

Table 1. **Employment in high and low growth branches**

Per cent of total industrial employment

	Employment in high growth branches[1]		Employment in low growth branches[2]	
	1977	1982	1977	1982
Norway	30½	31½	11¾	9½
Sweden	38¾	39¾	3¾	2½
Finland	35½	35½	4½	4¼
Japan	35	38	2	1½
United States	36½	39½	1¼	1
Germany	44½	45½	1	¾

1. Branches growing 10 per cent faster than the OECD average.
2. Employment in shipbuilding.

Source: National Budget 1985.

The lower aggregate supply responsiveness has been partly mirrored in the relatively poor performance of traditional industries. It is well known that Norway is one of the few countries (together with Sweden and the United Kingdom) where industrial production has been virtually stagnant over the past decade[2]. With the rapidly growing oil sector, some decline in the relative importance of industry was probably inevitable. But the weakening of the industrial sector appears to have gone too far. It reflected a lack of adjustment of Norway's manufacturing sector to shifts in relative prices, to the emergence of new technologies and to changes in the pattern of world trade. Despite the significant structural changes that have taken place over the past decade, it is striking that Norway still employs a relatively small part of its labour force in typical growth industries[3] and that, at the same time, the share of employment in low growth branches, such as shipyards, is markedly higher than in most OECD countries (Table 1). This is, to some extent, due to the fact that the rapid growth of the oil industry created very little employment[4]. Moreover, the geographical dispersion of industry, a result of active regional policies, and the high degree of concentration in some branches has raised the social cost of structural change. Thus, manufacturing production is scattered throughout the country, with some one hundred "one-company towns" (where production is highly concentrated in basic industries) accounting for about 10 per cent of manufacturing employment (Diagram 3). Obviously structural adjustments implying plant closures would have severe regional ramifications and would draw political attention as well as local opposition (see Part II).

Table 2. **Export market share and import penetration indices**

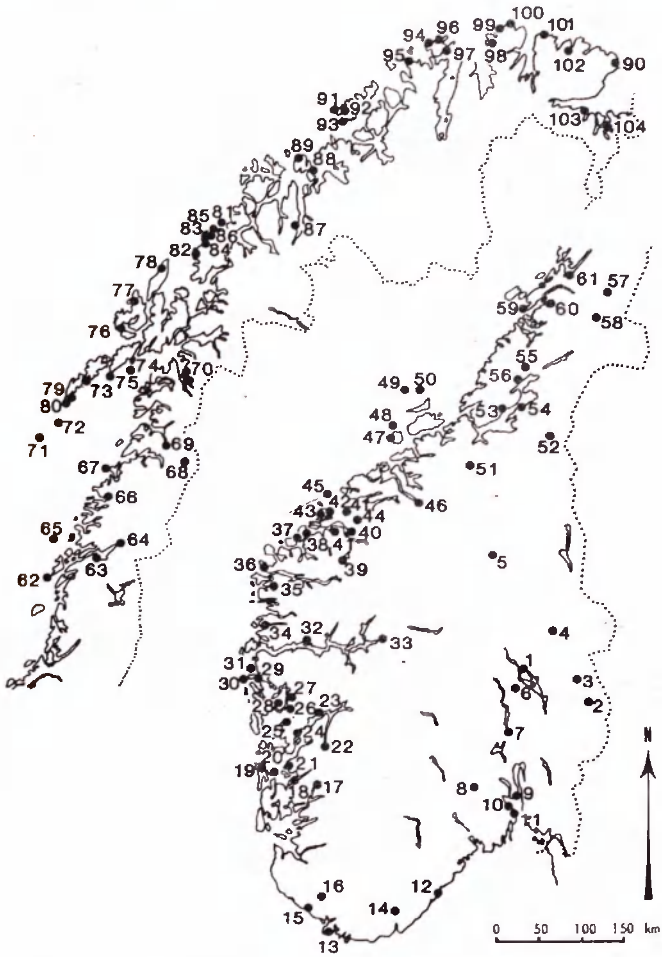
1970 = 100

	1970	1979	1980	1981	1982	1983
Export market share	100.0	75.8	73.8	71.9	69.3	73.0
Import penetration	100.0	110.0	112.7	115.3	115.3	122.3

Note: The import penetration ratio is calculated as the volume of imports of traditional goods (excluding oil) in relation to an indicator of domestic demand for manufacturing goods. The latter is calculated as the value added in manufacturing plus imports of traditional goods (excluding oil) less exports of traditional goods (excluding food).

Source: OECD, *National Accounts*.

Diagram 3. **The one hundred and four one-company towns in Norway, 1980**



Source: Norges Offentlige Utredninger 1983 : 10.

The internationally competing sectors have had difficulties in adjusting to changing structures of world demand and to intensified competition in international trade (Table 2). Market losses since 1973, measured as the difference between the growth of Norwegian exports of traditional goods and growth of total OECD imports of manufactures, amounted to some 30 per cent. Two-thirds of these losses are attributable to the unfavourable regional and product composition of Norwegian exports. This is, of course, to some extent a structural phenomenon, given the high dependence of Norwegian industry on natural resources and on capital- and energy-intensive intermediate goods (which have a relatively low income elasticity), the counterpart being a comparatively small share of finished products. This has meant that Norwegian export performance has shown a marked cyclical pattern with gains of market shares in the early phase of international recoveries, while losses were recorded, often due to capacity constraints, later in the business cycle. It is striking that more than half of commodity exports from Norway in 1970 consisted of products whose demand from other OECD countries grew less than 85 per cent of the average import growth in the OECD area. Similarly, Norwegian producers have lost ground in domestic markets, more or less continuously, to their foreign competitors. Some import penetration was indeed to be expected as a result of greater specialisation in international trade, but the reduction in import-competing industry's share of the domestic market has been significant. While manufacturing production has stagnated since 1973, the volume of finished goods imports has doubled, despite a shift in the structure of final domestic demand towards services, which have a lower import content than demand for goods.

The exposed sectors facing highly competitive markets have experienced a terms-of-trade loss vis-à-vis the domestic sheltered sectors. From 1975 to 1982 the output price of the exposed sector relative to that of the sheltered sector fell by 15 per cent. With money wages rising uniformly across sectors, this has led, given productivity developments, to a profit squeeze of the exposed sector. While the sheltered sector improved its profit share steadily since 1977, the position of the exposed sector has been considerably more volatile, reflecting rapid changes in the growth of world trade and marked shifts in the terms of trade. The profit position of exposed sectors improved in 1978/79, but worsened again from 1980 on, reaching in 1983 almost the lowest point since 1977 (Diagram 4). Some improvement is again expected in 1984/85 (see Part III). Almost half of total industrial employment is in firms where the wage share exceeds 80 per cent of value added (Table 3). About 30 per cent of employment in exposed manufacturing sectors is in firms with wage shares exceeding 100 per cent of value added, i.e. in firms where future employment prospects should be judged highly uncertain. Moreover, low profits have been undermining firms' balance-sheet structures, as reflected in the steady decline in the share of own capital observed for some time.

The squeeze of profits, the stagnation of production and the deteriorating balance-sheet structures have in recent years been associated with a sharp fall in manufacturing investment. Thus, the ratio of gross fixed investment in value-added fell from 23 per cent in 1981 to some 17 per cent two years later. Through the 1970s, however, the investment ratio remained roughly constant at around 22 per cent, while in most other countries it witnessed a trend decline (Diagram 5). The stability of the investment ratio up to the early 1980s was a reflection of the traditionally low cost of financing and the engrained belief in the ability of the authorities to maintain full employment and high levels of domestic demand over the medium term. Investment ratios differed between branches. In the engineering sector the ratio was lower than the average, while it was considerably higher in process-intensive industries such as

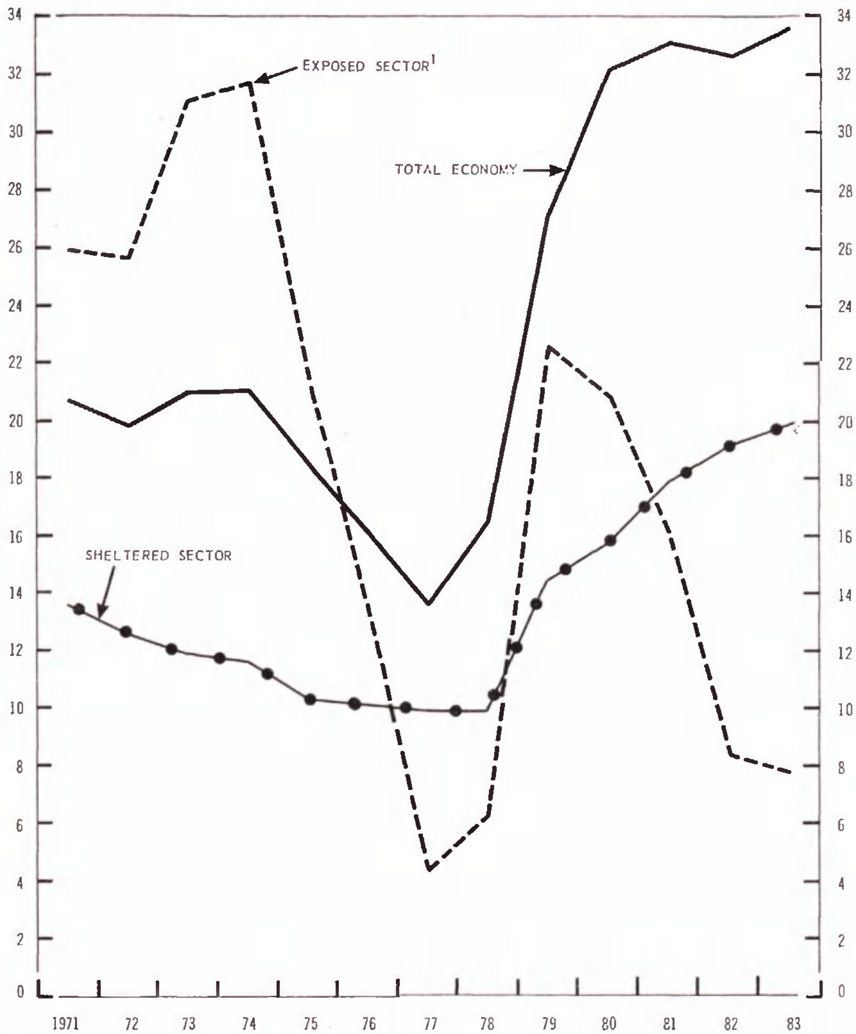
Table 3. **Employment and wage shares in manufacturing**

Per cent of total employment

	Employment share			
	Total manufacturing		Exposed manufacturing	
	1979	1982	1979	1982
Wage share in value added				
a) Less than 80 per cent	54	51	71	51
b) Between 80-100 per cent	30	31	15	20
c) Larger than 100 per cent	16	18	14	29
Total	100	100	100	100

Source: National Budget 1985.

Diagram 4. **Profit shares**
Per cent of total factor income

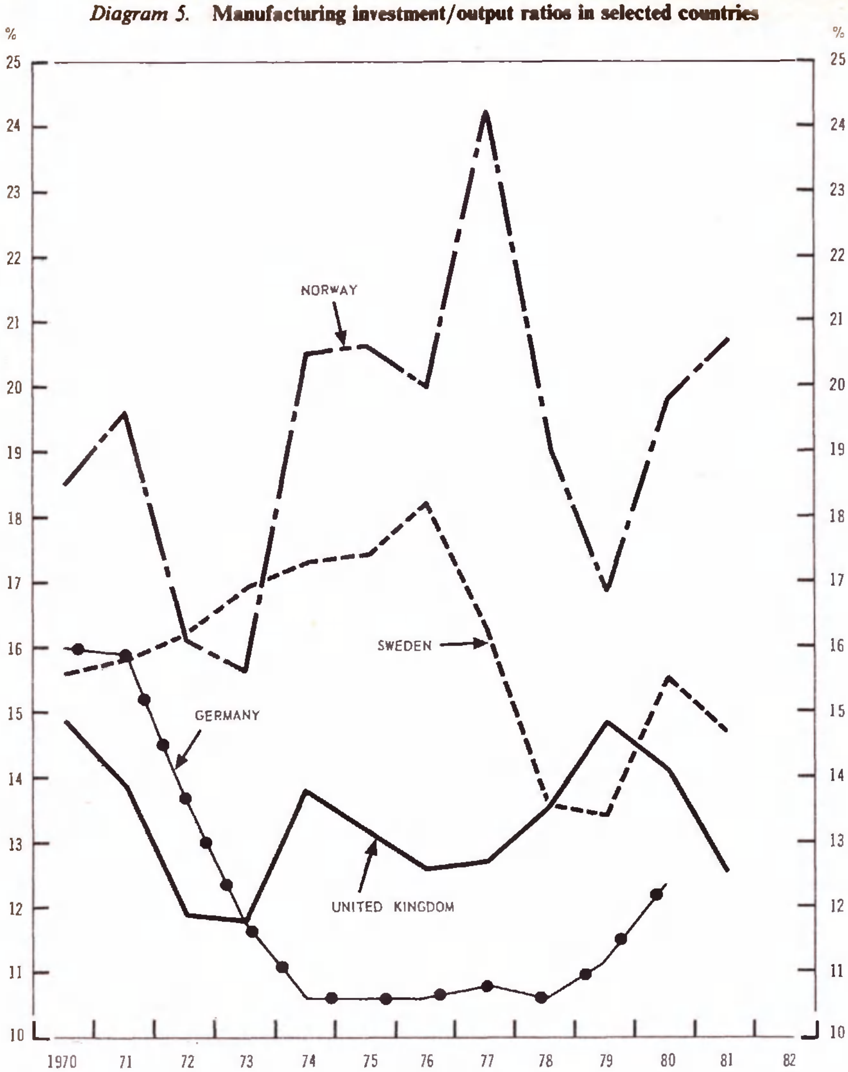


1. Excluding oil.

Source: OECD, *National accounts.*

wood processing, metals and chemical raw materials (Table 4). Since the latter carried a high weight in the industrial structure, the investment ratio was higher than in other countries. As a large part of Norwegian exports are process-intensive goods for which international demand is growing only slowly, there may have been a certain "mismatch" between high investment and low market growth. Moreover, the "quality" of investment was probably low, since decisions to add to the capital stock were to a certain extent affected by tax considerations (see Part II) and by high safety and environment standards. Between 1975 and 1982 environmental and energy-saving investments in existing plants have been estimated to be some Kr 6½ billion or

Diagram 5. **Manufacturing investment/output ratios in selected countries**



Source: OECD, *National Accounts.*

almost 11 per cent of cumulated investments in manufacturing in that period. Moreover, non-interest credit rationing up to the early 1980s may have hindered the execution of the projects with possibly higher returns than those "first in the queue".

Relative prices of factors of production have tended to increase capital intensity in manufacturing production and thereby to reduce the number of jobs per unit of capital. In the decade to 1983 the relative prices of labour and capital changed some 40 per cent in favour of capital, affecting firms' choice of production factor mix (Table 5). Indeed, while production was roughly constant and employment was reduced by 13 per cent, the real capital stock per employee increased 77 per cent. Nevertheless, given the rather large number of firms in the

Table 4. **Investment/output ratios in manufacturing branches**

	1966-1973	1973-1981
Manufacturing, total	20.8	20.0
Food (ISIC 31)	22.3	32.6
Textiles (ISIC 32)	10.1	10.4
Wood (ISIC 33)	15.8	16.3
Wood processing (ISIC 34)	18.5	23.5
Chemicals (ISIC 35)	21.1	36.5
Minerals (ISIC 36)	24.8	20.4
Metals (ISIC 37)	34.3	24.3
Engineering (ISIC 38)	14.0	12.3
Other (ISIC 39)	10.1	12.5

Source: Central Bureau of Statistics: *Industrial Statistics.*

red and the high job security guaranteed by labour market legislation, the actual workforce in the manufacturing sector may still be in excess of the economically viable level. Compensation of employees has thus become a quasi-fixed cost, with the employer facing the problem of being stuck with inefficient workers. Moreover, as narrow wage differentials have increasingly come out of line with widening productivity differentials[5], the obligation for the employer to pay for shorter absence of up to fourteen days per year may, particularly in small firms, have depressed the demand for labour per unit of capital. Hence, regulations aimed at improving the position of marginal groups in the labour market may well in some cases have worked against the hiring of precisely that kind of labour.

Table 5. **Cost and relative prices in manufacturing, 1982**
Indices 1973=100

	Nominal price of		Relative price of labour
	Labour[1]	Capital[2]	
Norway	264	187	1.41
Netherlands	214	191	1.12
United Kingdom	389	237	1.64
Germany	193	154	1.25
United States	217	197	1.10

1. Compensation of employees per employed person.
2. User cost of capital.
Source: OECD Secretariat estimates.

The proximate causes

There is no single cause for these developments and the apparent inability of the manufacturing sector to respond to the challenges and shocks which over the past decade have emanated from the international economy. As noted above, the speed with which the oil sector has become the dominant growth centre of the economy affected the performance of the traditional sectors. A key mechanism here was the real exchange rate appreciation, which followed partly from exchange rate policies taking insufficient notice of the competitive position of firms and partly from the expansionary demand-management policies, which fuelled cost and price inflation. Moreover, over-ambitious income expectations, notably in the

1970s, and a virtual full-employment guarantee led to the emergence of a wage-bargaining system which contributed to the evolution of wages incompatible with the medium-term employment requirements.

The absorption of oil revenues

Norway became a net energy exporter just a decade ago, and the oil and gas sector has progressively become an integral part of the economy, upon which traditional sectors and society at large have become highly dependent:

- The oil and gas sector now produces more than 18 per cent of gross national product;
- About 20 per cent of gross capital formation in Norway takes place in the oil and gas sector;
- The value of oil and gas exports amounts to about one-third of all Norwegian exports (half of total goods);
- Less than two-thirds of non-energy imports are now financed by traditional exports;
- After deducting depreciation, dividends to foreign interests and the cost of servicing the oil sector's foreign debt, the sector's share of net national income amounted to some 15 per cent. Of this, 60 per cent accrued to Government in the form of taxes, royalties, etc., amounting to some 20 per cent of Central government income.

Increased North Sea oil and gas revenues generated by rising production and higher international energy prices have, of course, facilitated the maintenance of a rather good overall economic performance by international standards, in terms of growth, unemployment and current account. For example, overall GDP growth averaged almost 4 per cent per year between 1972 and 1983, compared to some 2½ per cent for the OECD average. But the rapid speed of both oil extraction and the development of new oilfields, together with the particular pattern of absorption of oil revenues into the domestic economy, have contributed to structural rigidities, increasing real wage gaps and sluggish output growth in manufacturing.

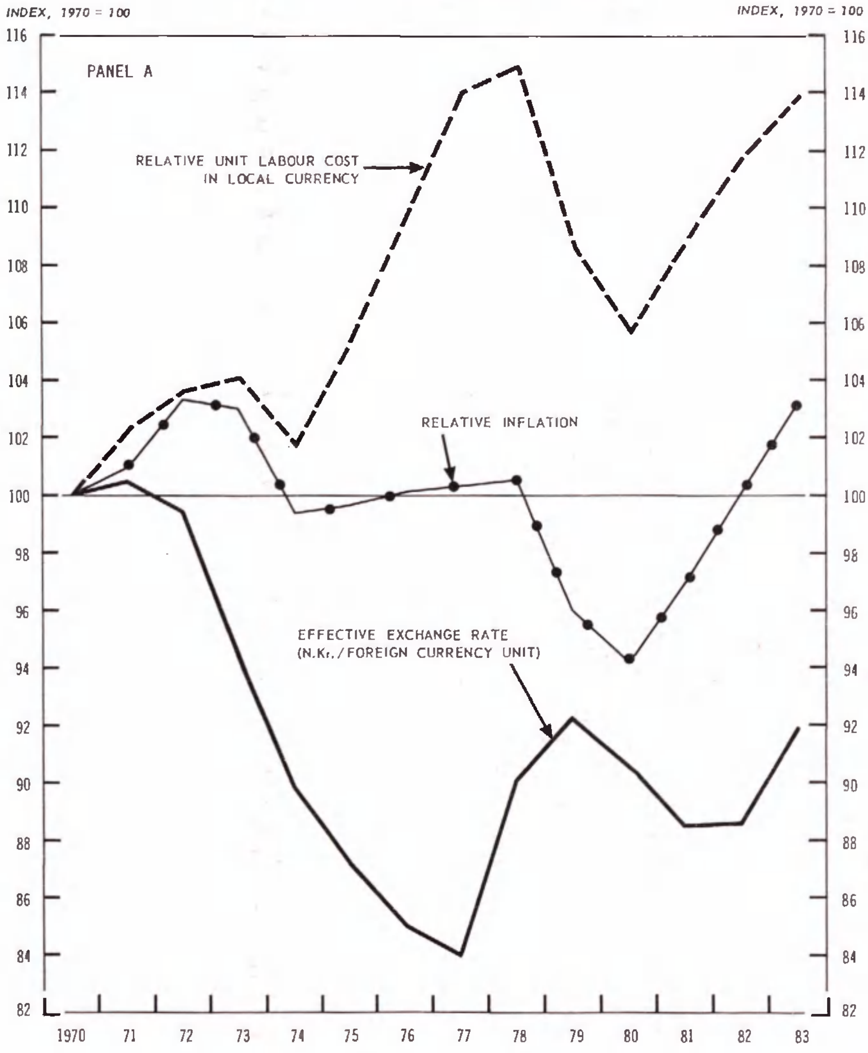
The pattern of oil revenue spending and the way it has been absorbed into the domestic economy has been extensively analysed in earlier OECD Surveys of Norway, and only a brief account to give the flavour may suffice here. The discovery and exploitation of oil and gas have given rise to a redistribution of income between sectors. With domestic energy prices following international prices (except for electricity), the Government has been the primary receiver of the terms-of-trade gain from energy price rises in the 1970s and of the increase in real national income from higher energy production. These gains have been largely redistributed to firms and households through subsidies and transfers, higher public spending and – more recently – tax reductions. The energy sector sharply increased aggregate productivity and overall income expectations. Higher income expectations, notably in the 1970s, were then fed through a centralised system of pay determination to raise wage income in all industries. As a result, traditional export- and import-competing industries experienced more rapid wage increases than warranted by their own productivity performance. In addition, these industries suffered from a real exchange rate appreciation. These forces undermined their competitive position and profitability, thus reducing their capacity to provide jobs.

Real exchange rate appreciation

Since the breakdown of the Bretton Woods system Norway in principle followed a fixed exchange rate policy, adhering to the European monetary co-operation system (the so-called "snake arrangement") from 1972 to 1978 and pegging the value of the krone to a currency basket since then[6]. However, under both systems, a strengthening of key currencies has led to upward pressures on the krone exchange rate, which have only partly been offset by devaluations:

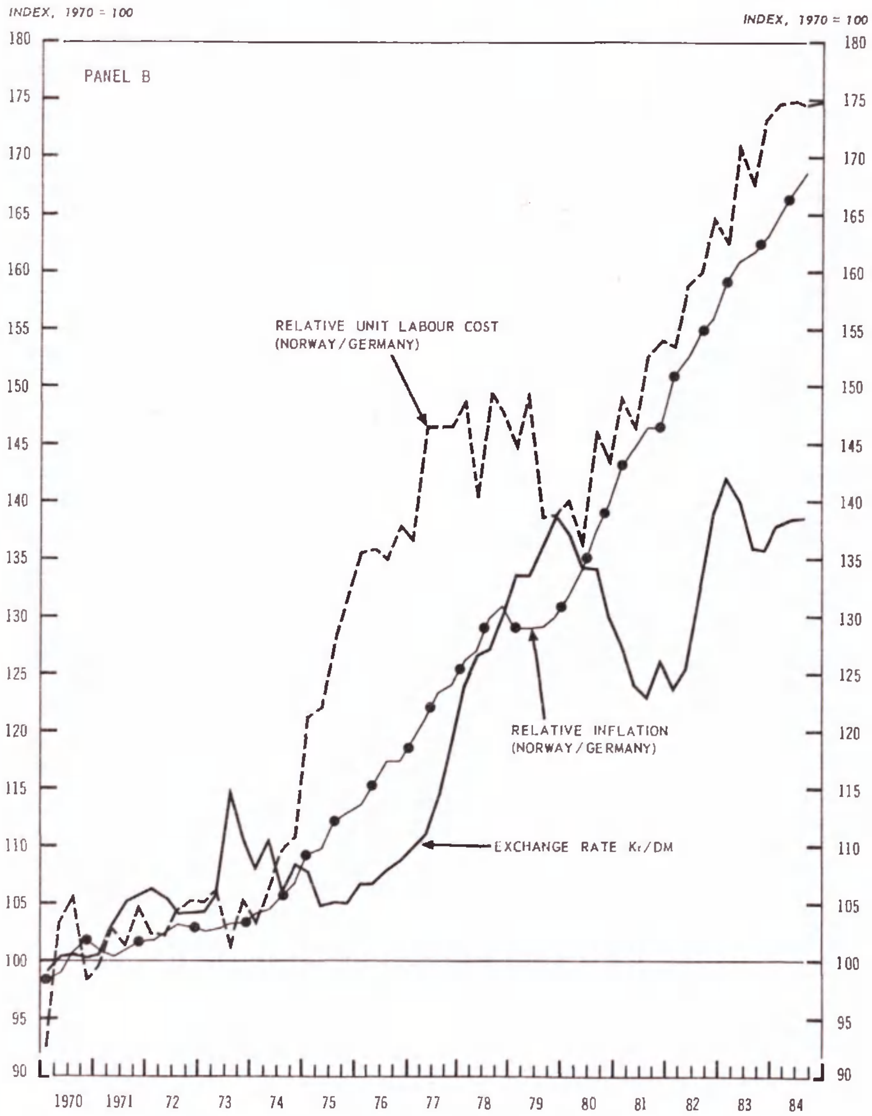
- In the four years to 1976, the strength of the Deutschemark vis-à-vis the dollar and some European currencies entailed a 20 per cent effective appreciation of the krone. However, five exchange rate adjustments effected in 1977/78 brought the level of the krone down by some 10 percentage points in effective terms;
- The rise of the dollar from 1980 led to a renewed appreciation of the krone vis-à-vis European currencies, and by mid-1982, the effective exchange rate had come much of the way back to its 1976 level[7], followed by further downward adjustments in both 1982 and 1984[8].

Diagram 6. **Nominal and real exchange rates**



These nominal exchange rate adjustments were, however, insufficient to compensate for the rise in cost and price levels in Norway relative to those in her trading partners. In 1983, adjusted for an inflation differential, the exchange rate of the krone vis-à-vis a weighted average of currencies of the trading partners was some 20 per cent stronger than a decade ago (Diagram 6).

Diagram 6 (cont'd). **Nominal and real exchange rates**



Source: OECD Secretariat.

The inflation bias

Apart from the wage and price freeze period from mid-1978 to the end of 1979, which was followed by a burst of inflation in 1980 and 1981, strong domestic cost and price pressures have resulted from policies pursued to shelter the economy against the impact of the international recessions and also from an income formation process which seems insufficiently adapted to the competitive international environment. With the benefit of hindsight, there is little doubt that, freed from the external constraint due to rising oil revenues, demand-management policies in the latter part of the 1970s became excessively expansionary. The attention of policy-makers and social partners at that time was too narrowly focused on the full-employment obligation in the short run, while insufficient attention was paid to the adverse medium-term consequences of the real exchange rate squeeze for employment in the exposed sector. Although fiscal policy was reorientated towards restraint after 1977 and again in 1981 following the change in Government, demand has continued to expand more strongly in Norway than abroad, albeit less rapidly than in the period after the first oil shock; public expenditures in goods and services as well as transfers to the private sector have grown less than in the 1970s. Inflation has come down from a yearly rate of some 15 per cent early in 1981 to some 6 per cent towards the end of 1984. Unit labour cost increases in manufacturing have been reduced from 11 per cent to some 3½ per cent in the same period, reflecting both lower nominal wage growth and increasing productivity gains. Real pre-tax wages were reduced from 1979 to 1983. Nevertheless, the cost differential persisted and the "traditional goods" trade deficit (excluding oil and shipping) has steadily increased (Diagram 7).

It has proved difficult to achieve total wage increases compatible with external requirements and the maintenance of full employment. Between 1980 and 1984, Norwegian unit labour costs increased some 11 percentage points faster when measured in local currency terms than the average rise in the major trading partner countries. Indeed, it would seem that

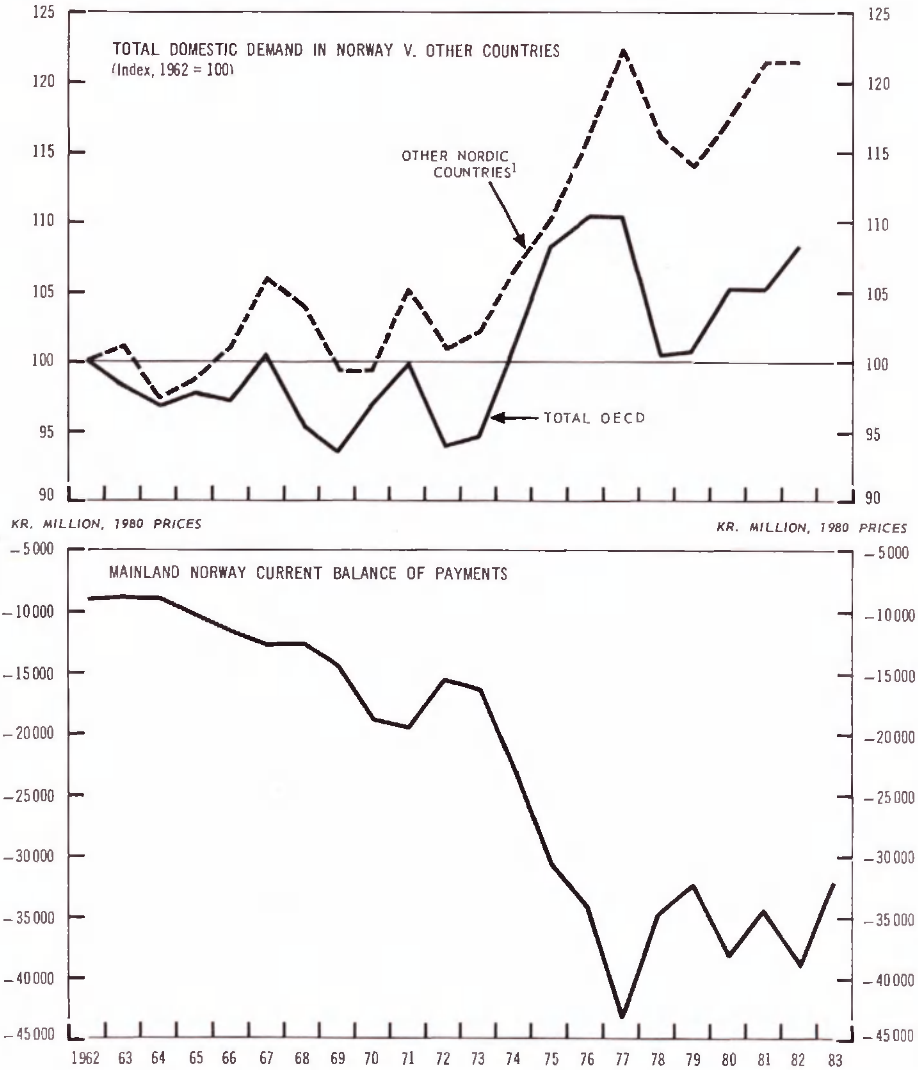
Table 6. **Employment and unemployment in the 1980s**

	1983	1980	1981	1982	1983	1980-83
	Level ('000)	Change in '000 persons				
Total employment	1 957	+41	+19	+14	+11	+85
of which:						
Manufacturing	388	+4	+2	–7	–27	–28
Private services	687	+14	+5	+10	+7	+36
Other private sectors	311	0	+11	–6	–5	0
Public sector	571	+23	+1	+17	+36	+77
Registered unemployment	63.5	–1.8	+6.2	+13.0	+22.2	+39.6
Registered employment in labour market schemes	27.8	–	+1.6	+0.2	+10.6	+12.4
Total of two items above	91.3	–1.8	+7.8	+13.2	+32.8	+52.0
Memorandum items:						
Percentage change in employment						
Norway	. .	2.3	0.9	0.7	0.6	4.5
OECD Europe	. .	0.5	–1.0	–0.7	–0.8	–2.0
OECD total	. .	0.7	0.2	–0.5	0.4	0.8

Sources: Central Bureau of Statistics and OECD, *Labour Force Statistics*.

a reasonable success in moderating centrally-negotiated wage increases has not been matched by lower wagedrift in the context of wage moderation. Thus, through the 1970s about two-thirds of total wage increases emanated from centrally negotiated wage increases, while one-third came from wagedrift. In the 1980s, these proportions have been reversed. While the wagedrift in the LO/NAF area has remained constant around 6 per cent, centrally negotiated

Diagram 7. **Relative demand pressures and the "traditional" goods account**



1. Denmark, Finland and Sweden.

Sources: OECD, *National Accounts;* Central Bureau of Statistics.

wage increases fell to 1 to 1½ per cent in 1983 and 1984. A major reason for this development has, of course, been the tight labour market conditions which have prevailed until more recently, and a persistent lack of skilled labour. Nonetheless, registered unemployment increased from 1980 to 1983, but this would seem to have had only a moderate effect on unions' bargaining power. The rise in registered unemployment resulted from a structural shift from hidden to open unemployment due to a higher propensity for the unemployed and new entrants (notably women) to register at public unemployment offices. This was induced by more generous measures for unemployed, who must register in order to be eligible for the schemes.

The easing of labour market conditions until recently is probably somewhat less than suggested by the overall level of unemployment (Table 6). Some of the increase in the number of people engaged in various employment support schemes is due to growing mismatches in skill and geographical distribution of job-seekers and job offers, and may overstate the degree of slack in the labour market. A given unemployment rate is therfore probably associated with stronger wage pressure than earlier.

Institutional features of wage determination have also tended to create an inflationary bias in the economy through a "two-tier" wage negotiation system. Typically, the social partners, the trade unions (LO) and the employers' organisation (NAF), negotiate *centrally* on the wage increases after meetings both in a contact committee where claims from the social partners and government guidelines are presented, and in a technical committee where the partners generally agree on the economic outlook, particularly on real income gains, price increases and the competitive level under different wage alternatives. If the social partners fail to agree in the central negotiations, a mediator is given a short period of time to come up with a suggestion mainly aimed at bringing the parties together without necessarily taking into account the macroeconomic consequences of his proposals. In case this process also fails the social partners may call for industrial action, although in view of the costliness of such a move and a tight market for skilled labour, this has often led employers to give in. The Government has, in a strike or a lock-out situation, passed legislation to settle the conflict by forced arbitration, but only if important sectors of the economy were threatened. Also, to limit social disruptions, the Government at times intervened in the negotiations aiming at narrowing differences between the social partners. After 1981 there has, however, been a change in the income policy. The Government has not interfered in the negotiations between the social partners, but has through real tax reliefs set a framework for moderate wage settlements. Thus, while real pre-tax wages have fallen by some 3½ per cent, real take-home pay has been roughly maintained. While in the past the economic situation in the exposed sector broadly indicated the available room for total wage increases, its particular role in major negotiations has been reduced. Real income gains and relative wages are now more important factors in wage determination. Moreover, the commitment to full employment and the level of business support may have strengthened wage claims and weakened the resistance on the part of employers. In addition *local wage negotiations* take place during the settlement period. While in principal dependent on the performance of each firm, central agreements have put pressure on such local wage developments in at least two respects:

- A strong egalitarian profile aimed at narrowing existing wage differentials has led to pressures for a re-establishment of previous wage relativities. The most significant manifestation of this concern for equity is the so-called 85 per cent rule calling for the *lowest* paid in each branch to be remunerated at least 85 per cent of the average industry wage. This clause was in operation in the settlements for 1980/82 and 1982/84. In the agreement for 1984/86 the rule is that the *average* pay in each branch should be at least 85 per cent of the average industrial wage.

- In the central negotiations, technical assumptions for local wage increases (wage-drift) are made, tending to set a floor under such wage claims irrespective of productivity developments in individual firms.

Several other elements have also caused actual wages to drift upwards. The virtual full-employment guarantee has importantly influenced labour attitudes. An often-voiced concern has been demonstration effects, both from the oil sector and from the very ambitious income targets set for certain influential socio-political groups. In addition, the public sector to some extent has become a wage leader in the low wage area, and with the well-known strong wage-wage links characterising the Norwegian labour market, such wage levels became fairly rapidly generalised. The result has been a wage level and structure which have increasingly posed a threat to the full employment objective:

- Imbalances between productivity and real wage cost have resulted in more capital-intensive investments;
- As the relative wage structure has been difficult to alter but for income distributional or social considerations, this has seriously affected the allocation of labour and threatened continuation of full employment unless subsidies were to be maintained or in some instances increased further;
- A rigid and narrow wage structure endangers employment prospects for certain low-productivity groups of the labour market, notably among young entrants and unskilled unemployed.

II. MANAGING THE SUPPLY SIDE OF THE ECONOMY

There is now a greater awareness in Norway that the achievement of full employment over the medium term necessitates a reorientation of policies towards a significant reduction of rigidities and other impediments to growth. This part of the Survey first describes briefly the so-called supply-side policies which have been implemented in recent years. It then focuses on the subsidy system which seems to have become counter-productive to the attainment of these longer-term policy objectives.

The reorientation of policies

Faced with a burst of inflation in the re-entry phase after the end of the price freeze in 1979, the incoming Government attempted to achieve a better balance in the policy mix, placing emphasis on what has come to be known as supply-side policies. The main areas in which policy initiatives were envisaged included:

- Slower growth of public expenditure both for goods and services and transfers in order to improve resource allocation;
- A lowering of the average tax pressure; in particular, the aim was to make room for reducing high marginal tax rates;
- A pricing of public sector services more adequately reflecting the "true" cost of production;
- Increased competition between public and private sector enterprises, and in product markets in general;

- Deregulation of financial markets;
- Promotion of an industrial policy aimed at improving the general conditions conducive to improved efficiency and innovation rather than relying on direct selective support.
- Increased emphasis on reducing rigidities in labour markets and on the training and retraining of unemployed workers.

However, several factors led to the implementation of these policies in "small steps". First, the international recession and the difficult competitive position of Norwegian firms in export markets sharply increased unemployment in 1981/82 and limited the room for adjusting demand-management policies, notably fiscal policy, in a more restrictive direction. Second, the lags with which demand- and supply-side policies are affecting the economy at large is different, making it difficult to implement a change in the policy mix over a short time horizon. Finally, the continued rapid increase in oil revenues since 1980 has made it politically very difficult to resist what are seen as "legitimate" claims for public spending and support to Mainland Norway. Measures have been taken in virtually all the fields mentioned above although to varying degrees:

- The increase in public expenditures has been restrained slightly below the growth rate of nominal GDP. In particular, transfers to industry and private enterprises (including transport subsidies and other transfers to the private sector from the Fiscal Budget) have been reduced in real terms over the last four years;
- Personal taxes have been reduced in every budget proposed by a total equivalent to 1 per cent of GDP. There was also an easing of wealth taxation. Business taxes have been reduced both directly and through new depreciation rules introduced in 1982, which were replaced in 1984 by an even more generous scheme;
- Various liberalisation measures have been taken in financial and capital markets (see Part III for details);
- Actions taken to improve the general conditions conductive to efficiency and higher potential growth included the following: closer surveillance of restrictive business practices; more liberal shop opening hours; partial breaking of the monopoly in telecommunications; greater incentives to saving in the form of equity capital.

Despite these efforts a high level of business support has tended to maintain the *status quo* and impede structural adjustments in the economy to raise the supply responsiveness of the economy and to achieve a better allocation of resources. A further, continuing, reduction in the level of support seems to be a necessary condition for the restoration of a high growth potential in the economy of Mainland Norway.

Support to business: an overview

The rationale for Government intervention and assistance to the business sector has been related to different, though often not clearly specified, aims. Moreover, individual objectives have carried a different weight over time. Regional aspects have played an important role in Norwegian policies for a long time and ambitious aims as to a more egalitarian income distribution have been important aspects of the support system since the mid-1970s. Another reason for intervention has been the slowing of economic growth in the traditional economy which has made structural adjustment in certain sectors difficult. In addition, the social environment and increased international dependence have generated more adjustment pressure than economic growth alone has done in the past. Moreover, the advantages accruing from an intensified international division of labour or from innovative competitors – i.e. gains in overall economic growth and productivity, the creation of new jobs in new sectors and a

Table 7. **Subsidies: comparative statistics**

	1973	1977	1982	1983	1973 to 1981	
	Kr. billion in 1983 prices				Real increase	
					Total	Per cent per year
Business subsidies	5.0	12.0	17.0	14.2	184.0	11.1
Transfers to households	39.0	46.6	59.1	62.0	59.0	4.7
Public consumption	47.1	59.0	75.4	78.3	66.2	5.2
Government expenditure	61.9	84.5	104.4	107.2	73.2	5.6
GDP	272.8	332.5	397.8	401.8	47.3	3.9

Sources: Ministry of Finance and national accounts.

contribution to combating inflation – are widely dispersed and difficult to identify. By contrast, the burdens associated with international competition have often been concentrated in a few sectors and more clearly visible, generating interest-group pressure for defensive government intervention.

While basically adhering to the principles of a free market economy, the Government has in some cases interfered with the market mechanism. Where markets clearly fail (or are supposed to fail) in allocating resources in the most efficient way, the interventions have taken place with a remedial intention. For example, the Norwegian authorities have encouraged firms to improve environments. In other cases the intervention has aimed at a specific sectoral and regional structure of production, employment and foreign trade patterns. The main instruments used may be classified in two groups:

i) Direct financial assistance;
ii) Protection of domestic sectors against imports.

A common feature of both is that the degree of support given varies between sectors and branches and also often between individual firms.

Government assistance to business has taken a number of forms, in particular, selective direct grants to industries in financial difficulties, tax reliefs, guarantees, equity capital and credit at preferential terms. Moreover, certain sectors, such as agriculture and textiles, receive an important indirect subsidy through a sheltering from international competition by way of

Table 8. **Subsidies to the business sector**
Per cent

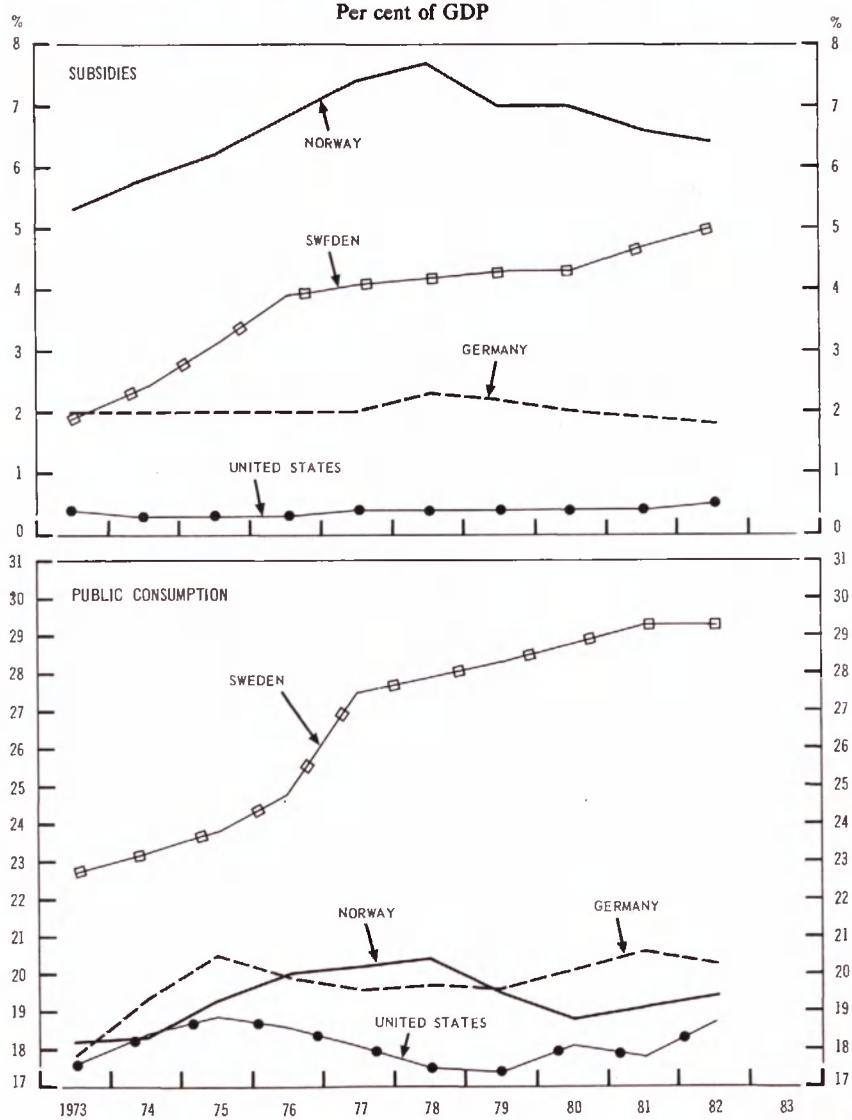
	1973	1977	1980	1981	1982	1983
Agriculture	60.4	71.4	63.9	55.0	53.8	60.0
Forestry	1.8	1.4	1.5	1.2	1.0	1.2
Fishing	8.6	7.8	10.0	9.9	6.4	7.3
Manufacturing and mining[1]	28.3	18.7	23.5	33.1	38.1	30.0
of which:						
Shipbuilding[1]	9.8	4.9	6.8	17.1	10.9	6.2
State companies	7.1	3.7	4.6	5.8	12.8	8.5
Private services	0.9	0.6	1.0	0.7	0.8	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

1. Including guarantees to shipbuilding and oil drilling.
Source: Revised National Budget 1984.

import bans and quota arrangements. Protection also shows up in concession arrangements limiting the free entry of foreign firms notably in the service sectors and thus competition[9]. Finally, government procurement policies are selective and there is evidence of preferential treatment of Norwegian suppliers to the government-regulated oil sector, e.g. advance information on projects is given to Norwegian firms, but not to foreign competitors and the authorities have attempted to streamline offers to suit the structure and special characteristics of Norwegian firms. While these practices may give undeniable advantages in import

Diagram 8. **The degree of subsidisation: an international comparison**

Per cent of GDP



Source: OECD, *National Accounts.*

competition, they might weaken the export potential of Norwegian shipyards by loosening performance requirements. On the other hand, it has facilitated a restructuring from traditional shipbuilding to production for the oil sector. However, all these elements of indirect support are extremely difficult to quantify and are consequently excluded from the measurement of the size of business support reported below (see Annex I for a brief discussion of the principles applied).

Measured in constant prices, support to the business sector tripled between 1973 and 1983 compared with a 66 per cent increase in government consumption and an almost 50 per cent growth in GDP over the same period (Table 7). The expansion of support was particularly strong during the so-called counter-cyclical policy phase (1975/77). After a doubling from 1974 to 1981 as a share of GDP, the level has remained at around 6 per cent of GDP with a decline in 1983. The major recipients have been the primary sectors accounting for about two-thirds. Virtually all the rest went to industry (Table 8). As a share of factor income, the support to industry was 2½ per cent in 1973, but 8¾ per cent a decade later. The corresponding figures for agriculture were 44 per cent and 84¾ per cent, respectively. Moreover, the level of subsidisation in Norway appears significantly higher than in other Member countries (Diagram 8), although admittedly both statistical and conceptual problems involved make such international comparisons very difficult[10].

Selective policies towards industry

In the pursuit of general economic policy aims such as ensuring economic growth, full employment and an even regional settlement pattern, the Government in the 1970s relied extensively on selective policy instruments. The use of such instruments has since been gradually reduced, but general measures to stimulate the creation of profitable firms, improving competition and promoting positive adjustments and research have not been able to exert the full effect intended. This must to some extent be seen in the historical context of the attempt to develop a multi-faceted production structure through the creation of water power and energy-intensive industries throughout the country. Such "cornerstone firms" were intended to give rise to higher economic activity over and above their own contribution in the districts. However, poor profitability performance has increasingly required government financial assistance. Moreover, the State, with the intention of protecting domestic employment, notably in the early part of the 1970s, embarked on a policy of limiting foreign penetration of the Norwegian market and/or of acquiring private firms in financial difficulties The most significant examples are "Store Norske Kull Kompani" (coal), "Tofte" (pulp), "Tandberg" (electronics) and "Tyssedal" (alluminium). Firms were often (with the benefit of hindsight) purchased at prices exceeding market values, involving severe losses for the Government. Substantial potential claims on support have also been built up over the years through the very extensive guarantee responsibilities which the Government has accepted[11], particularly as losses have been increasing in recent years. The relative importance of the various instruments is given in Table 9. By far the largest share has been general production support, including "rescue" operations on a case-to-case basis.

Specific regional policies, affecting firms' location choice, account for some 15 per cent of direct support to industry. The main instruments are the differentiated employment tax, the District Tax Law and the District Development Fund. While the first subsidises the cost of labour in selected regions, the latter two provide favourable conditions for the build-up and maintenance of production capacity. The *District Tax Law* allows up to 25 per cent of taxable income to be deducted and partly written off against depreciable machinery within a specific period (five to seven years). According to a recent survey, firms receiving this support employ

Table 9. **Instruments of industrial support**

Krone million and per cent

	1973	1977	1980	1981	1982	1983
Direct subsidies	454.6	1036.4	1621.3	2235.7	2450.2	2617.4
	(76.3)	(73.7)	(69.7)	(65.4)	(44.9)	(63.0)
Loan subsidisation	75.5	126.8	263.5	376.2	839.1	335.6
	(12.7)	(9.0)	(11.3)	(11.0)	(15.4)	(8.1)
Loss of revenue on capital in public enterprises	22.2	95.2	192.4	312.9	1273.1	312.5
	(3.7)	(6.8)	(8.3)	(9.1)	(23.3)	(7.5)
Losses on guaranties	27.9	43.9	78.2	85.3	458.7	633.3
	(4.7)	(3.1)	(3.4)	(2.5)	(8.4)	(15.2)
Reduced taxes and duties	15.3	103.8	216.8	409.7	434.9	256.6
	(2.5)	(7.4)	(9.3)	(12.0)	(8.0)	(6.2)
Total	595.5	1406.1	2327.2	3419.8	5456.0	4155.4
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Sources: NOU 21A 1984: *Statlig Naeringsstötte i Distriktene* and Ministry of Finance.

one-third of total employment in the districts. The *District Development Fund* mainly affects firms' investment decisions by offering capital grants (up to 35 per cent of the cost of investments), the size of which is determined directly by the employment effect associated with the project. Investment supported by the fund must prove to have positive employment effects. Thus, pure rationalisation investments are not assisted, though they might be necessary to maintain competitiveness over the medium term. Moreover, existing tax rules further strengthen the support element, since such grants are neither counted as income for the firm nor give rise to a reduction of the depreciation base. For those profitable firms which have exhausted their depreciation allowances, these rules are of great importance and give a significant incentive to capital accumulation. The Fund also distributes a regional transport subsidy and finances public agency counselling to small and medium-sized firms.

The "heavy boys"

The main recipients of industrial support are State firms and shipbuilding. *State firms* are spread across branches, but mainly concentrated in basic industries heavily dependent on natural resources (metals and mining). The pressure for support to these relatively few firms arises from the special nature of their business, producing low income elasticity products requiring large, lumpy capital investments and having long lead-time in innovation, skill-training and market development. Apart from benefiting from regional schemes, they have in recent years received extensive additional support. In 1982, some 40 per cent of the industrial support was allocated to State firms and of this, some 86 per cent went to "one-company towns". The total support per man-year in State firms amounted to Kr 54 000 in 1983, or more than three times the industry average, with the main forms of support being "first aid" grants and injections of share capital. In addition, with many companies being heavily dependent on electricity as their major source of energy, very favourable conditions have been given on deliveries from State controlled suppliers. As an example, the ironworks "Jernverket" receives its electricity supply at a price one-fifth of what other firms pay, corresponding to a support of Kr 40 000 per employee. The support to *shipbuilding* has been modified and increased in recent years. In order to prevent Norwegian shipowners contracting ships abroad, the main emphasis is placed on subsidising the financing cost for the ship buyer, while direct support to shipyards has been reduced. Nevertheless, the support element in the 1984 contracts for new construction of ships amount to Kr 160 000 per man-year. This corresponds to some 27½ per cent of the contract price, while in 1981 the maximal degree of support was only 15 per cent according to the existing regulations.

Effect on resource allocation

The effect of public sector support on the allocation of resources has been significant, though difficult to measure in part because of the lack of "counter-factual evidence". There is, however, a presumption that a selective support system tends to discriminate importantly among industries and firms in a number of ways:

- Subsidisation of firms on a selective basis tends to widen the dispersion of the total incidence of taxation among firms, since, despite the increase in oil revenues, the average level of taxation has remained among the highest in the OECD area;
- Subsidies tend to tie up labour in less productive employment, thereby exacerbating the competition for scarce factors of production, such as skilled workers and capital, probably also impeding the creation of new firms. Indeed, as noted above, the continued lack of skilled labour has exacerbated upward pressures on wages, and capital formation in State firms, which up to 1974 accounted for some 9 to 10 per cent of industrial investment, has almost doubled since then. Moreover, districts covered by the regional legislation have had a higher rate of investment per employed than elsewhere in the country and the relative capital intensity has been rising over time[12]. The number of jobs in assisted firms and the rise of industrial employment in the districts may give an indication of the employment-effect of support policies[13]. This, however, is a fallacy of "misplaced concreteness" where only the first impact (such as jobs saved in assisted sectors) is taken into account but not the final incidence (such as the number of jobs not created in non-assisted industries);
- Subsidies may tend to maintain excess capacity, thereby depressing market prices and profitability for non-assisted firms. The distorted incentives to invest embodied in the regional policy have led to "over" capital-intensive production structures and a less critical attitude towards investments in production capacity facing slow demand growth. This could lead within branches to a self-perpetuating process of increasing demand for public assistance;
- Subsidies in international trade tend to increase the risk of retaliation.

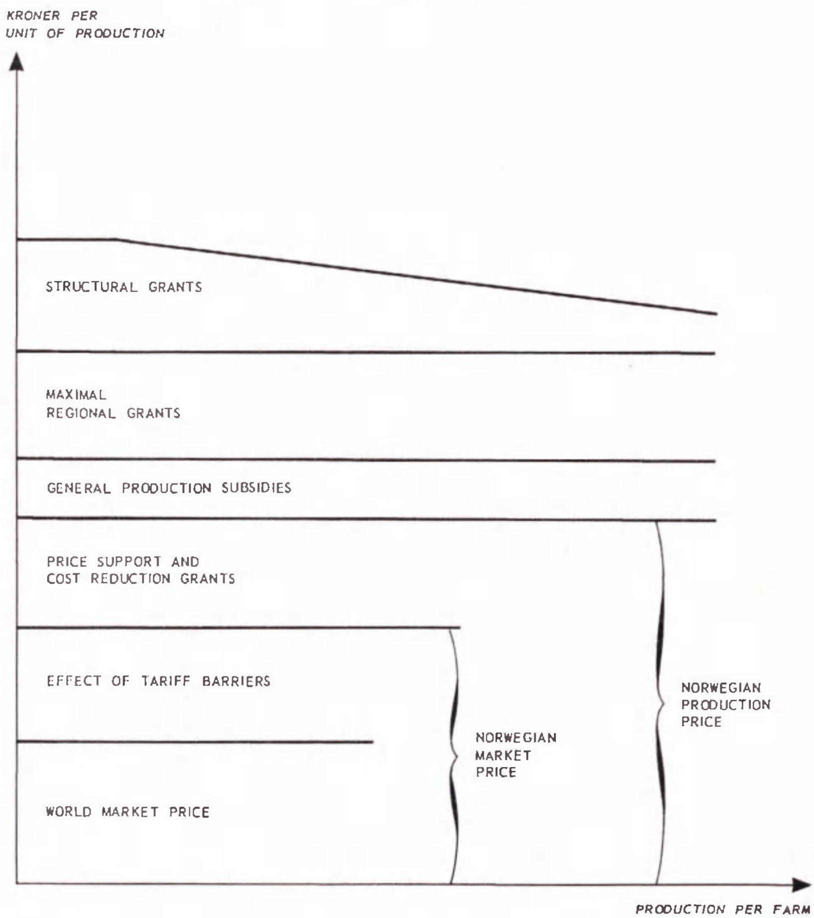
Protectionism and resource allocation: an example

The role of non-tariff barriers in influencing the production structure and the allocation of resources is illustrated in the case of the agricultural sector. Without pretending to give a full discussion of a vastly complicated and politically sensitive issue, the present section describes for several reasons some central features of government assistance to the agricultural sector. Firstly, without being subject to normal budgeting and evaluation criteria, support to this sector strains government budgets importantly. Secondly, considerable amounts of real resources are tied up in a production which, given natural endowments, is hardly justifiable on purely economic grounds. Finally, it may serve to illustrate how subsidies may have important income distribution effects.

The system of agricultural support dates back to the General Agricultural Agreement of 1950 providing the framework for specific agreements normally lasting two years, with special emphasis on self-sufficiency considerations, but also with regional settlement objectives. By the mid-1970s the framework was redesigned, in part as a reaction to a sharp decline in both agricultural employment and in the number of farms earlier in the decade, and in part also to affect income distribution between farming and other sectors of the economy. Indeed, a Parliamentary decision in 1975 (heavily influenced by the expected oil bonanza) requested the Government to aim at bringing average farm incomes (and social standards in general) to a level obtained in industry. The main elements of the policy are the following:

i) *A sheltering from foreign competition.* Imports of agricultural products that can technically be produced in Norway are almost entirely forbidden. Where self-sufficiency in home production is less than 100 per cent, imports are allowed but in most cases controlled by monopolies (e.g., cereal products)[14];

Diagram 9. **Principles of support to agriculture**



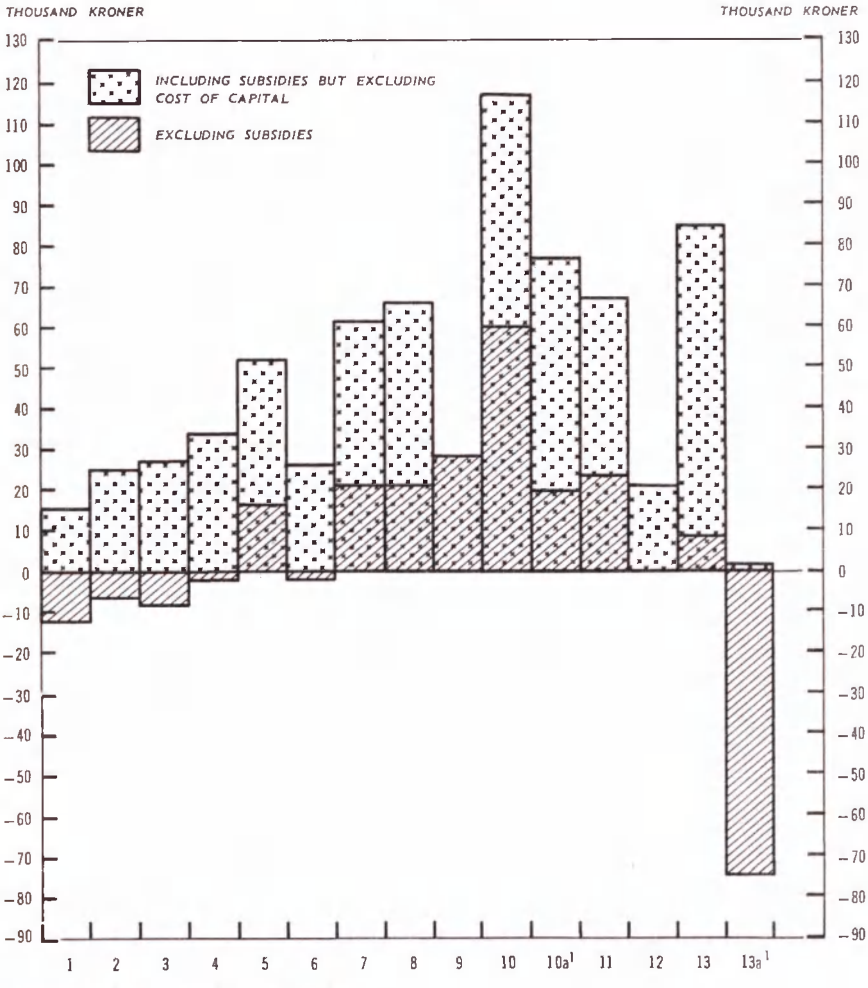
Source: Norges Offentlige Utredninger 21 A ; Statlignaringsstøtte i distrikterne, Oslo 1983.

ii) *A comprehensive support system.* Both labour and capital is subsidised partly independent of production levels, and differentiated according to the size and geographical location of the production unit.

The support system is operated according to a very detailed and complex set of rules and regulations, but the main principles should be clear from Diagram 9. The explicit *production targets* and *efficiency norms* for labour input in various production lines are set by the authorities after negotiations with agricultural organisations. With effective protection from international competition, Norwegian market prices normally exceed world market prices by a considerable margin. The former is reduced compared to total production costs, by a set of

Diagram 10. **Profitability in thirteen model production units in agriculture**

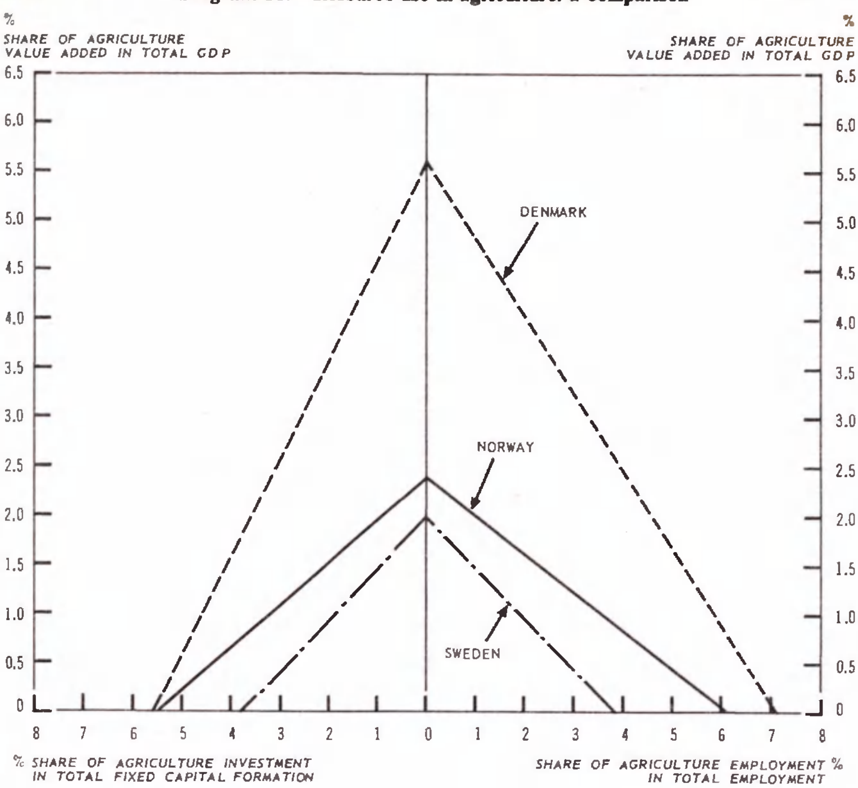
Kroner per man-year



1. Previous unit valued at world market prices.

Source: Norges Offentlige Ultredninger 21 A.

Diagram 11. **Resource use in agriculture: a comparison**



Source: OECD, *National Accounts.*

price- and cost-reducing subsidies which are in part given independently of the level of production at the farm (thereby limiting the economies of scale). Consequently, smaller farms receive a larger amount of income per unit of production than larger ones, as do the less favoured than the favoured.

The main objectives of agricultural policies have been largely achieved. Production targets have been reached though problems of excess supplies have increased in certain production lines in recent years. Farm incomes have now attained those of industrial workers, reducing the outflow of labour from the agricultural sector and ensuring a more even regional distribution of production units[15]. The result has been a disproportionate tying-up of productive resources in an activity which, from a purely economic point of view, is highly unprofitable, and which in virtually any other use would have a significantly higher productivity[16]. Indeed, official calculations[17], though partial, suggest that the returns would be highly negative in all major lines of production (but not necessarily in all regions), if farm products were sold at world market prices[18]. Diagram 10 also illustrates the "subsidy wedge" between the value of the marginal private and social product in different "model" production units. Nevertheless, investments in the agricultural sector in recent years have attained about 60 per cent of those in industry and some 10 per cent in total capital formation (including oil). Also, a larger part of the working population relative to production is occupied in agriculture in Norway than in other Scandinavian countries (Diagram 11).

Assistance to farming has been very costly in both financial and real terms. The direct budgetary cost in 1983 amounted to more than Kr 8 billion to which must be added food subsidies to consumers of some Kr 2 billion. There are of course substantial difficulties in evaluating the cost and benefits of the system of agricultural support where considerations of a social, environmental and strategic kind have often dominated dry economic reasoning. Nevertheless, there are fairly strong indications of loss of consumer welfare and discrimination between social groupings from the present trading system. The very limited competition from abroad combined with the present support system, have resulted in a considerable discrepancy between world market prices and domestic prices. For important agricultural products the margin of domestic market prices over world market prices appears to be somewhere between 60 to 90 per cent. With current consumption of food amounting to Kr 40 billion in current prices, this margin would "mechanically" translate into some Kr 15 to 20 billion in "extra" expenses[19]. Due to relatively high incomes elasticities for food products, low income groups are carrying a relatively large part of the consumer loss following the difference in price levels. As noted above, the total cost of production far exceeds market prices, the difference being covered by government subsidies. Since tax payers provide the ultimate financing of this support, it adds to the total cost for consumers and despite vastly increased oil tax revenues, Norwegian taxation has remained among the highest in the OECD area. The counterpart to this loss in consumer surplus has been a gain for producers being able to employ labour and capital with reasonable private marginal returns. There is nevertheless a cost to society as a whole in terms of the production foregone by not using available production resources where the social return is higher.

Observing positive adjustment rules?

In setting up an efficient policy of assistance to business there would seem to be a number of criteria which should be observed, if policymakers wish to minimise the misallocative effects of interventions. These have been extensively treated in recent OECD documentation[20]. The following attempts a brief evaluation of the extent to which Norwegian policies have been implemented in accordance with some of the recommendations for positive adjustment.

Transparency and public awareness of the effects and extent of government intervention is one important precondition for successfully implementing positive adjustment policies. Improvements in these respects have been made in the national budgets presented in the last couple of years, both by providing detailed information of the extent of government subsidies and by discussing whether policy objectives have been achieved at the lowest possible costs, e.g., by focusing on differences in subsidies per employee in various industries. However, while some of the support could have been justified on economic grounds at the time it was implemented, there is a strong presumption that they were not based on an analysis of long-term growth potential of the specific activity or region selected for promotion. Nor did the Government present an overall and consistent concept of its support policy. Measures have often been based on partial analysis and all became permanent even if they were initially announced as temporary assistance. The rapid proliferation of often rather small support schemes (less than half the number of present arrangements for industry existed in 1973) seems to lend credit to this view, though few new support measures have been introduced in recent years.

The extended time horizon over which assistance has been given suggests that support to industries and firms has been given with no or few *conditions* attached. To be efficient in conditioning structural adjustment, there is a strong case for ensuring that aid is not considered as a source of rent – neither by entrepreneurs as a source of windfall profits nor by workers as an opportunity for trying to appropriate part of the subsidy in the form of higher wages. There is some scant evidence that both have occurred: the steady increase of employment in loss-making firms (see Part I) would seem to suggest the former, while the stickiness of relative wages in the shipbuilding industry indicates a case for the latter[21]. However, subsidies to shipbuilding and State firms have recently been made conditional on moderation in wage increases.

Budgeting procedures have not prevented the proliferation of support schemes and the difficulty in arriving at an appropriate evaluation of the benefits and costs to producers, consumers, taxpayers and society in general. Indeed, in 1982 about half the industrial and three-quarters of total business support was decided outside the ordinary budget process in the autumn:

- Support to agriculture (60 per cent of total subsidies) has been determined largely by income developments in other parts of society;
- About 80 per cent of the assistance to State firms was given through supplementary appropriations;
- The decision to grant guarantees resided outside the budget process until 1983, although Parliament was committed to meet any calls upon them;
- The size of the shipbuilding support depends on the volume of contracts received.

It has therefore in the past been difficult to arrive at an appropriate evaluation of the use of government revenues. This has of course been exacerbated by the very existence of the large number of schemes and the many different forms of support. Improvements in both these respects have been made in the budgets presented in the last few years:

- Appropriations for additional expenditures through the fiscal year are now seen in connection with each other and presented in one proposition to the Parliament;
- Starting in 1983, all guarantee schemes are treated as part of the budget process, and yearly ceilings are established;
- Since 1982, a set of budget indicators has been presented stressing that budget balances excluding oil revenues should be used when assessing the impact of the fiscal budget on the domestic economy.

It is also questionable whether policy objectives have been achieved at the *lowest possible costs.* The evidence is at best mixed. The performance of State firms in terms of the return on capital as well as the propensity to undertake product or process innovations, frequently compares unfavourably with that of private firms. Moreover, the marginal efficiency of employment creation per krone-subsidy varies markedly across receiving sectors, suggesting that for a given amount of assistance a higher employment effect could have been achieved by equalising the marginal costs of supporting jobs. In other words, the same employment effect could have been achieved at lower total costs for the Government. Indeed, a mechanical calculation suggests that a reduction by Kr 1 billion of the support to most heavily subsidised sectors may reduce employment by 12 000 man-years at the maximum (assistance per man-year was Kr 83 000 in 1983). Reallocating these man-years to other industries with a lesser support element, say 20 000 per man-year (average in manufacturing is 12 000 per man-year) would incur budgetary costs of some Kr 240 million. If the budgetary savings, Kr 760 million, were used for a general tax cut and taking into account both demand effects and the favourable influence of lower wage increases, total employment could increase by more than 4 000 man-years[22]. In addition, assuming average productivity, total output would be higher.

III. DEMAND-MANAGEMENT POLICIES AND THE OUTLOOK

Fiscal policy

Economic policies for 1985 have been recently presented in the National Budget and in the final budget bill. The main objective of the government programme is to achieve full employment, without sacrificing the progress already made on the inflation front. Considerable emphasis is therefore placed on measures to improve labour market conditions in both the short and long run. Moreover, to strengthen the growth potential of the Norwegian economy, a series of measures is designed to improve supply-side responsiveness, notably with a view to creating incentives to save and invest. The main elements of the fiscal policy programme may be summarised as follows[23]:

- The increase in public sector spending on goods and services is intended to remain moderate to prevent stronger price and cost pressures;
- Contingency plans are increased, taking labour market support to some Kr 3 billion in 1985;
- Moderate tax reductions are given to both households (together with improved social benefits) and firms, with the view to lowering wage claims in the forthcoming negotiations;
- Indirect taxes and public charges are raised marginally, contributing less to price increases in 1985 than in 1984.

Table 10. **General government revenue and expenditure**

Accrual basis; including investment outlays by public enterprises, millions of kroner

	1980	1981	1982	1983	1984	1985
Revenue, total	150 262	169 286	186 727	206 488	229 759	236 038
Direct taxes households	37 666	39 644	42 584	44 237	47 397	48 450
Direct taxes business	4 345	5 188	4 854	5 146	5 150	5 142
Direct taxes and levies on oil and gas products	23 488	26 289	29 249	35 601	39 856	33 795
Social security contribution	34 224	38 699	43 618	47 679	50 406	55 120
Indirect taxes	43 491	49 827	55 027	60 327	65 406	70 495
Property income	7 048	9 639	11 395	13 498	21 544	23 036
Expenditure, current, total	124 831	144 782	162 562	181 796	197 985	219 673
Public consumption	53 476	62 616	70 367	78 257	85 027	91 181
Transfers	43 173	50 253	57 788	65 821	72 208	79 030
Subsidies	18 518	21 192	22 970	24 646	25 897	28 601
Interest on public debt	9 664	10 721	11 437	13 072	14 853	15 534
Government oil activities	–	–	–	–	–	6 230
Savings	25 431	24 504	24 165	24 692	31 774	15 462
Investment (consumer capital and public enterprise)	12 972	12 951	11 657	12 105	11 572	11 766
Surplus before loan transactions	12 459	11 553	12 508	12 587	20 202	3 696
Surplus before loan transactions excluding oil and transfer from Bank of Norway	–11 029	–14 736	–16 741	–23 014	–22 654	–26 947
Surplus before loan transactions, per cent of GDP	4.4	3.5	3.4	3.1	4.5	0.8
Surplus before loan transactions, per cent of GDP excluding oil	–4.6	–5.4	–5.6	–7.0	–6.5	–7.1

Sources: Central Bureau of Statistics, Ministry of Finance and OECD Secretariat.

The stance of fiscal policy is perhaps best gauged by the change in the general government budget balance before loan transactions and corrected for oil revenues. The latter has a markedly different demand impact from other forms of revenues, but importantly influences the overall budget position. On this basis, fiscal policy is expansionary with a projected increase in the general government deficit from 6½ per cent of GDP (excluding oil) in 1984 to 7 per cent in 1985 (Table 10). Public expenditures are expected to grow by about 11 per cent (including government expenditure on oil activities), with moderate increases in subsidy payments and in spending on goods and services and rapidly rising transfers. At the same time, the average tax pressure in gross terms which over the past five years has been reduced by 4.5 percentage points, is receding further to 47.9 per cent of GDP (excluding oil). The expansionary fiscal policy stance is also reflected in the contribution of central government's deficit (excluding oil) to the growth of the money supply (here measured by M2). The contribution is projected to be 7½ per cent in 1984 and 8 per cent in 1985, compared to the projected money supply growth of 11 per cent.

Monetary policy

The projected expansion of the money supply in 1985 is above that of nominal GDP. A tight policy stance towards the state banks will be continued in 1985. Credit supply from these banks is estimated to increase by 8 per cent and its contribution to the growth of the money supply will be of the order of magnitude of 1 per cent. Up to 1984, credit regulations were extensively used to restrain the growth of lending to the private sector, but their macroeconomic effects were partly offset by growing and efficiently working "grey markets". The gradual dismantling of the quantitative controls has led to an expansion of bank credit in excess of the guidelines laid down in the credit budget, although it is recognised to be in part a temporary phenomenon of disintermediation. Total credit expansion from domestic sources (including lending from non-bank institutions) expanded above targets and reserve requirements and the money market rate was raised in August/September in an effort to counter further deviations. The money supply has continued to grow very rapidly (Table 11).

The money market interest rate has, after the very high levels attained in 1982, been constrained to move within a narrow band determined by the authorities. Since September 1984, the band has been fixed at 13 to 13½ per cent. To achieve desired interest rate levels, the Bank of Norway affects the banks' liquidity positions through foreign currency swaps and

Table 11. **Actual and projected monetary growth**

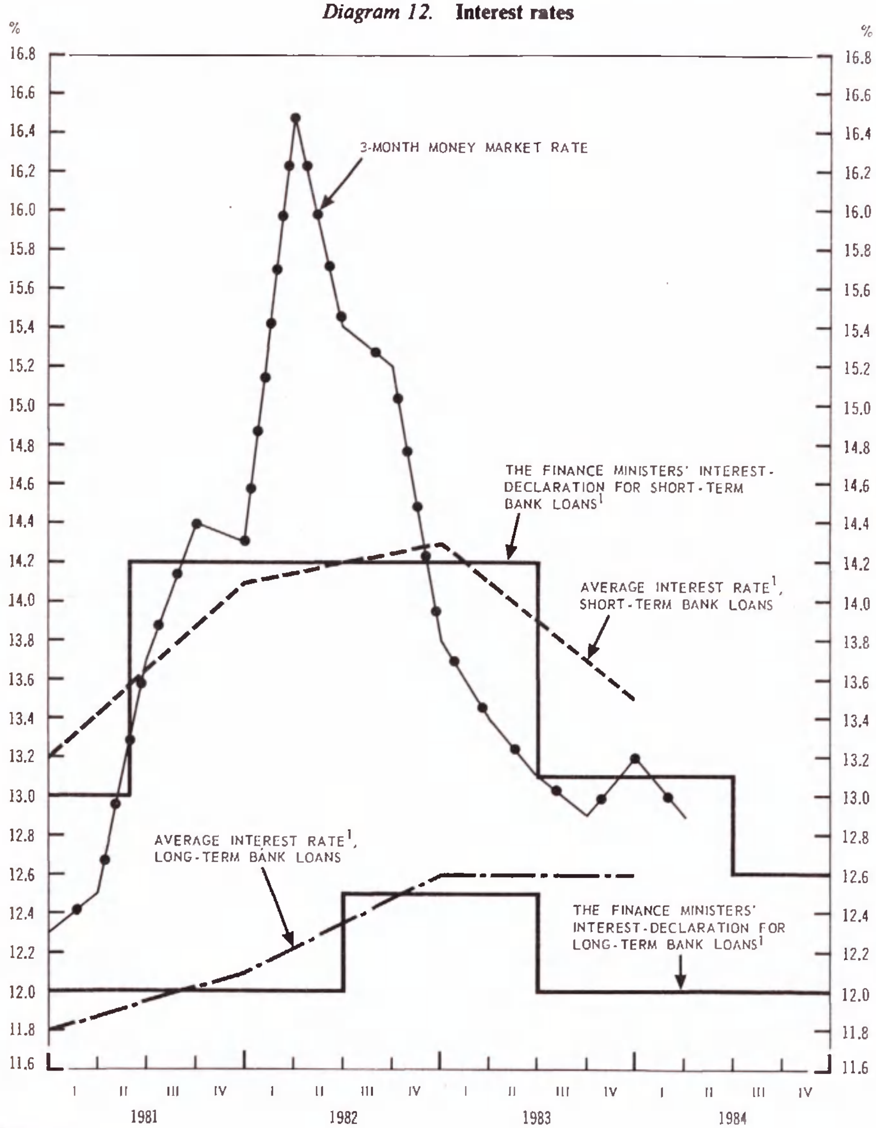
Per cent change during year; excluding oil taxes and loan to Statoil

	1980	1981	1982	1983	1984	1985
A. From domestic sources	18.5	20.3	18.1	15.5	18.1	16.3
of which:						
Central government	11.1	9.9	10.0	8.6	8.6	9.1
Revenue balance	4.0	4.8	5.3	6.6	7.4	7.9
Lending transactions	7.1	5.1	4.7	2.0	1.2	1.2
Private banks	7.4	10.4	8.1	6.9	9.5	7.2
B. Foreign exchange transactions of the public	–6.7	–8.3	–7.7	–6.1	–5.3	–5.4
C. Money supply (A + B)	11.8	12.0	10.4	9.4	12.8	10.9

Source: Ministry of Finance.

open market operations, often with repurchase clauses. Monetary policies in Norway have been changed significantly since the low interest rate policies of the 1970s. Interest rates have been allowed to increase by some 4 to 5 percentage points in nominal terms since 1979 in order better to reflect market conditions. The bond placement obligation has been gradually reduced since 1981 with a further liberalisation planned for 1985. Interest rates on other categories of non-bank lending have been moving according to market forces. Interest rates on bank lending and on credit from insurance companies are guided by declarations from the

Diagram 12. **Interest rates**



1. End of year.

Source: Bank of Norway.

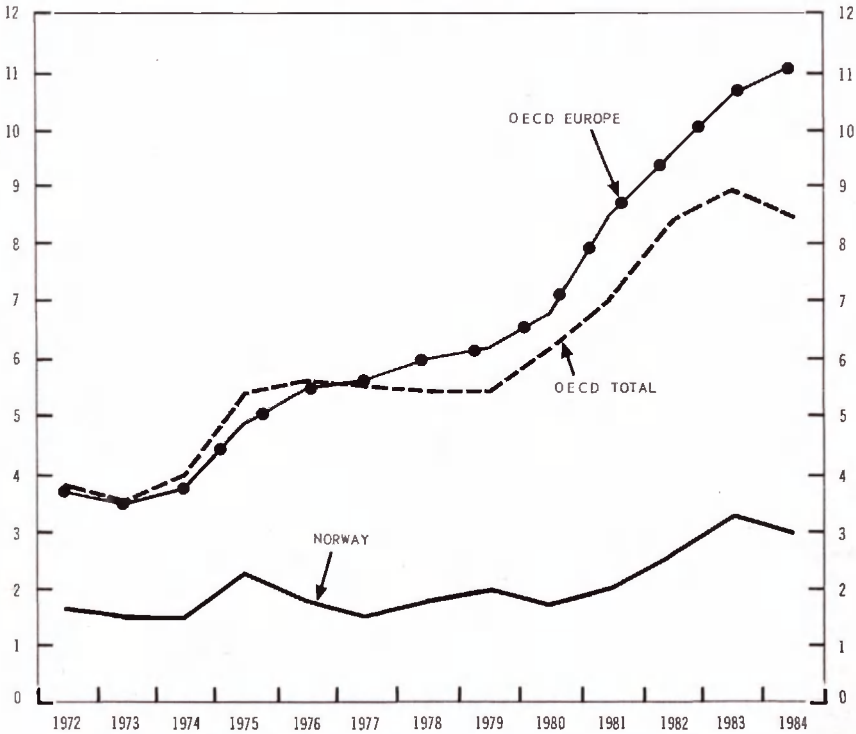
Ministry of Finance (Diagram 12). In a system without controls on "quantities", rigidities in interest rates make it difficult, at least in the medium term, to achieve consistency between macroeconomic objectives and the financial aggregate counterparts. Given the present strong rate of growth of credit and money supply (M2), a flexible interest rate policy is required in order to achieve the targets set in the National Budget for 1985. Otherwise credit supply may grow too rapidly, endangering the objective of reduced inflation. In order to increase the efficiency of monetary policies, a new set of money market instruments, i.e. certificates of deposits and commercial papers, has been introduced starting this year. This should contribute to a reduction of the "grey market". Government short-term bonds with a maturity of up to one year have been issued in order to facilitate government borrowing and to control liquidity and the total credit supply. The issue of Government saving bonds is planned to reduce liquidity in the non-bank private sector.

Main trends in 1984

The economic recovery, which had strengthened steadily through 1983, continued in 1984. The expansion of traditional exports, one of the dynamic elements in the early recovery phase, slowed down in the first half of 1984 but picked up strongly in the second half of the year. Capacity constraints have occurred in parts of export industries and international demand may have shifted away from basic materials, the staples of Norwegian exports,

Diagram 13. **Unemployment in Norway and the OECD area**

Per cent of labour force



Sources: OECD and Central Bureau of Statistics.

entailing a loss of market shares in 1984 after increases in 1983. Investment in fixed capital in manufacturing and service industries developed favourably, while private consumption increased at a lower rate than in previous recoveries. The savings rate, which rose through 1983 in spite of the deceleration in inflation, may have remained roughly unchanged in 1984 leaving private consumption growing by 1½ per cent. Public consumption has expanded strongly (by 3½ per cent compared with a little less than 1 per cent envisaged in the national budget for 1984). Thus total domestic demand increased by 3¾ per cent. The development in import prices and reduced contributions from changes in indirect taxes and regulated prices, together with a lower growth in wages and increased competition in product markets, have manifested themselves in a continuously decelerating inflation rate. Thus, from December 1983 to December 1984 consumer prices increased by 5.9 per cent. Manufacturing production has increased substantially in the export sectors but remained sluggish in several other sectors, notably shipbuilding, textile and clothing industries. Imports have grown rapidly since mid-1983 in part due to stock accumulation and the traditional trade balance has deteriorated further in the course of 1984. However, partly due to increased production, oil and gas exports have risen steeply and, together with a somewhat better service balance (due to lower imports to oil activities), a considerable increase in the current account surplus ($3 billion) has been recorded. Total GDP has grown by 3¾ per cent from 1983 to 1984, while Mainland Norway production expanded by 2¾ per cent. Employment grew by 1 per cent and the rate of unemployment fell somewhat through 1984 (Diagram 13).

The outlook for 1985

The projections for 1985 (Table 12) are based on the usual technical assumptions concerning policies (described above) and exchange rates[24]. The international environment as currently projected by the OECD suggests a slowdown in the United States' activity in 1985, a continuation of relatively healthy growth in Japan and a more mixed picture in Europe. Against this background, Norwegian export markets may grow somewhat less than in 1984 (7 per cent as against 9 per cent).

A crucial condition for a sustained recovery in Norway is a further moderation of wage developments. The settlements in spring 1984 resulted in a 6 per cent increase in manufacturing wages, comprising a carry-over and wagedrift estimated at 5 per cent and a centrally negotiated increase of 1 per cent. In the event, wagedrift proved more sticky than assumed during the central negotiations in the spring[25]. Continued wagedrift of some 5½ to 6 per cent suggests an outcome of approximately 7 per cent for 1984. As noted above, tax reductions in 1985 have been proposed to ensure a lower nominal wage increase without a reduction in real income. Moreover, the decelerating pace of inflation should help to strengthen tendencies towards overall wage moderation. The present projection is based on the technical assumption of a 6½ per cent increase in wages from 1984 to 1985. Assuming normal productivity increases, this may entail a rise in unit labour costs of 3½ to 4½ per cent, suggesting, by itself, a further loss of international competitiveness. Thus, if competitiveness is to be improved in 1985, wage increases have to be lower than this technical assumption of wage growth. Price inflation decelerated steadily from the beginning of 1983, and in 1984 the average increase in consumer prices may attain some 6¼ per cent. This implies a carry-over of about 2 per cent into 1985, entailing a rise in consumer prices by 5¾ per cent from 1984 to 1985. Given the assumptions about wage behaviour and the more recent pick-up in wholesale and producer prices, and if growth of wage costs and credit supply cannot be reduced in accordance with government targets, there may be an upward risk to the inflation forecast.

The sustainability of the recovery will also depend importantly on the expansion of private investment. The salient features of investment in 1984 were:

Table 12. **Short-term prospects**

	1983 Kr.billion	1983[1]	1984[2]	1985[3]	*Memorandum item:*
		Per cent change from previous year at constant 1980 prices			Official forecasts
Demand and output					
Private consumption	192.5	1.0	1.5	2½	2½
Public consumption	78.3	3.7	3.6	2¼	1¼
Gross fixed investment	100.7	2.7	10.1	–4¼	–3½
Final domestic demand	371.5	2.1	4.3	½	½
Stockbuilding[4]	–2.3	–2.6	–0.5	2½	2½
Total domestic demand	369.2	–0.7	3.8	3	3
Exports of goods and services	185.2	7.0	6.2	–½	–1
Imports of goods and services	152.6	–1.2	6.7	3	2¾
Foreign balance[3]	32.6	3.8	0.3	–1½	–1¾
GDP	401.8	3.2	3.8	1½	1¼
GDP excluding oil and shipping sectors	316.3	1.6	2.8	2¾	2½
Industrial production[5]	316.3	–1.2	1.5	2¼	2¼
Unemployment (per cent, level)		3.3	3.1	3	n.a.
		Per cent change			
Prices					
GDP deflator		7.1	7.0	5½	4½
Consumer prices (implicit deflator)		8.6	6¼	5¾	5¾

1. Preliminary data.
2. Official forecast.
3. Secretariat forecast.
4. Changes in per cent of previous year's GDP.
5. Manufacturing.

Source: OECD Secretariat.

- Oil investment expanded strongly but had to a large extent its counterpart in a rundown of stocks (oil platforms under construction) due to the installation of oil platforms;
- Manufacturing investment (mainly in process-intensive industries) continued the pick-up from the trough in mid-1983, while other business investment evolved more moderately;
- Housing investments fell back by as much as 4 per cent. The deregulation of the housing market in 1982, which abolished most of the price regulations, seems to have entailed a temporary reduction in housing starts. Lower inflation and subsequent higher real interest rates may also have hampered residential investment;
- Capital expenditure of local authorities was curtailed;
- Stocks of export goods were sharply reduced as the increased production in export industries could not meet the higher level of international demand.

The investment outlook for Mainland Norway is encouraging. Surveys in manufacturing indicate a stronger and somewhat more broadly based acceleration in investment, reflecting high capacity utilisation and a better profit situation. Manufacturing investment has to a large extent been directed towards rationalisation, but companies now seem to plan capacity expansions which may have positive effects on employment. Investment in dwellings may remain roughly constant, reflecting a lower number of completed dwellings, while housing starts may well pick up somewhat. In contrast to 1984, investment in the oil sector, which accounted for some 24 per cent of total fixed investment in 1983, is projected to be reduced sharply, causing total fixed investment to fall by 9¼ per cent. However, stockbuilding is expected to contribute strongly to GDP, partly due to a build-up of inventories in export industries where stocks have been run down sharply and to an expected increase in stocks of oil platforms under construction. A stronger employment growth in 1985 combined with tax reliefs may entail a moderate increase in disposable income, and on the assumption of a roughly unchanged saving ratio, private consumption is forecast to rise at about 2½ per cent. Public consumption is projected to increase by 2¼ per cent or somewhat stronger than official estimates. The growth of total domestic demand is thus forecast to decrease by about ¾ percentage point to 3 per cent in 1985.

Despite growing oil production and exports, the contribution of the real foreign balance to GDP growth was significantly reduced in 1984 and may turn negative in 1985. Exports of oil and gas are expected to be temporarily reduced in 1985. The growth in manufacturing exports is forecast to slow down, mainly due to reduced exports of ships and oil platforms. A further loss of market shares is thus envisaged. The growth of imports since mid-1983, is expected to continue in 1985, though at a reduced rate. In all, GDP in Mainland Norway may grow at about 2¾ per cent in 1985. Including the oil sector, however, GDP growth is projected to decelerate sharply from some 3¾ per cent in 1984 to 1½ per cent in 1985. Total employment is forecast to increase by 1¼ per cent from 1984 to 1985, which may lead to a further improvement in labour market conditions.

In 1984 the terms of trade improved markedly, reflecting strong increases in dollar-denominated prices of oil and increasing prices on manufacturing exports. With export and import volumes developing as described above, the surplus on the trade balance may be very significant in 1984, nearly $5 billion, corresponding to 10 per cent of GDP (Table 13). A deficit on the invisible balance due to high interest payments and transfers to abroad nevertheless leaves the current account at a record surplus amounting to $3 billion or 5½ per cent of GDP. For 1985 the terms of trade is expected to deteriorate somewhat. The trade balance is likely to be reduced to $3¾ billion, mainly due to a reduction in exports of oil and gas. The invisible balance is forecast to improve somewhat, including a minor reduction in payments of transfers and interest to abroad. The current account surplus may thus fall by about $¾ billion to $2¼ billion.

Table 13. **Foreign trade and current account projections**

	1983		1984		1985	
	Volume	Price	Volume	Price	Volume	Price
	Per cent					
Exports of goods	9.6	6.0	7.9	8.5	–0.4	4.6
of which:						
Oil and gas	16.2	2.7	12.9	7.0	–3.0	5.5
Manufactures	0.7	8.5	6.8	8.3	4.1	5.4
Imports of goods	–1.5	4.3	10.5	4.6	4.3	4.8
of which:						
Manufactures	–0.8	6.7	16.3	3.0	4.5	6.1
	$ million					
Trade Balance (fob/fob)	4 370		4 338		3 859	
Invisibles, net	–2 101		–1 461		–1 541	
Current balance	2 269		2 877		2 318	

Source: OECD Secretariat.

IV. CONCLUSIONS

The macroeconomic performance of Norway has, in several respects, been favourable by international standards. Total GDP has increased by some 4 per cent at an average annual rate for the last decade, among the highest in the OECD area. Employment has grown by more than 20 per cent in the same period, and the unemployment rate has been one of the lowest in the OECD area. Inflation has fallen rapidly since 1981, while still remaining above the OECD average. The rapid growth of oil revenue has provided the financial basis for expansionary demand management and for generous subsidisation of the business sector to support employment without running into either balance of payments or public finance difficulties. But other small OECD Member countries have performed equally well in various respects, without the benefit of oil. Moreover, this policy has resulted in a deterioration of the underlying ability of the Norwegian economy to cope with the structural adjustment pressures which have emanated from the international economy over the past decade. This deficiency of supply responsiveness has manifested itself both on the aggregate and sectoral levels:

- Over the past decade, any given increase in nominal demand has been associated with a higher rate of inflation and a lower rate of real growth of output than earlier;
- The profit position and financial structure of the exposed sector have been undermined by rising real labour costs, aggravated by real exchange rate appreciation;
- Industrial production has been virtually stagnant for a decade, and a higher (lower) proportion of industrial employment has been engaged in "low growth" ("high growth") branches;
- The unfavourable composition of exports and persistent difficulties in maintaining international price/cost competitiveness have meant that the export sector has been unable to recoup market shares lost in the latter part of the 1970s ;
- Substantial subsidies have induced and preserved an over-capital-intensive structure in industry;
- The wide geographical dispersion of manufacturing firms, often specialised in a narrow range of products, has made structural adjustment difficult and resulted in pressure on government for intervention to maintain the *status quo.*

In the 1980s there has been awareness in Norway that the "traditional" policy mix of expansionary demand management combined with steady increases in government subsidies and transfers to the private sector has to be modified. A re-orientation of policies has taken place in recent years towards a strengthening of the supply side of the economy, with a range of measures to increase competition, promote savings and investment, and to obtain a more efficient allocation of resources. However, notably the depth of the international 1981/82 recession and the difficulty in resisting what are perceived as legitimate demands on increased oil revenues have tended to limit the speed with which the reorientation has been implemented. Indeed, not enough has been done in the two areas which perhaps most significantly affect the supply responsiveness, namely the wage formation process and support to the business sector.

The wage formation system, discussed extensively in earlier OECD Surveys of Norway, should be modified to meet the challenges from international competition and to maintain higher employment over the medium term. Determined attitudes towards egalitarian wage policies in central wage negotiations have fostered a tradition of local wage negotiations, often resulting in maintaining initial wage differentials. Moreover, wagedrift has been exacerbated by strong wage-wage links which have brought wage differentials among firms and branches out of line with individual productivity performances and labour cost levels out of line with macroeconomic requirements. With strong pressures on profits, international competitiveness has deteriorated and demand for government assistance has remained high. Indeed, as noted, a large proportion of industrial employment is in firms with persistently low profits or even losses and receiving support. In a sense, therefore, subsidies have acted as a substitute for real and relative wage flexibility. However, lacking the advantage of market forces, they have tended to preserve inefficient productive capacity rather than promote the necessary structural change.

As noted, growth of unit labour costs has decelerated relatively rapidly since 1981 due to lower growth of nominal wage costs and increasing productivity growth. Nevertheless, in the years to come, lower wage increases associated with more flexible differentials would seem crucial for creating a solid basis for sustaining high employment growth. A better competitive position of labour is needed not only against foreign producers but also against other domestic factors of production. In the past, labour costs in manufacturing have risen faster than the cost of capital, leading to the progressive introduction of more capital-intensive production techniques and reduced demand for labour for any given level of output. This trend in turn put pressure on the Government to subsidise labour into employment via inadvertently cheapening the use of capital even further. To maintain high employment in the future calls for a better reflection of market forces on the relative price of inputs to production.

It is clearly important to strengthen the reorientation of policies introduced since 1981, placing more emphasis on structural improvements. A significant step in this direction would be a major revision of the pervasive subsidisation of private sector production, which appears to be significantly higher than in other OECD countries as a share of GDP. Government assistance to industry and agriculture, accounting for more than 90 per cent of all support, increased rapidly after the mid-1970s. Industrial support has partially taken the form of rescue operations on an *ad hoc* basis, while in agriculture, it has mainly been related to ambitious production targets and income objectives. This has importantly affected resource allocation in the economy (although difficult to measure), tying up productive resources in marginal economic activities with limited prospects for profitability and which may have a higher marginal social product in virtually any alternative use. Subsidisation thus contributes to preserving an inefficient production structure by locking resources in non-productive uses. Furthermore, it tends to be self-perpetuating: subsidies generate further demand for government support by disfavouring non-assisted companies and by easing incentives for rationalisation and restructuring by those in difficulties.

Thus, if market forces were to a greater extent allowed to determine the allocation of resources, there would be significant gains for society over the medium term as a whole, in terms of better resource use and higher production and employment. First steps were taken to increase the transparency of the support system with the publication in recent national budgets and by the Commission report on the origins, instruments and government resources bound up in existing support schemes. The appropriate speed of reducing the amount of subsidies and reforming the present system will obviously have to be judged against the social and economic costs in the short term. In the agricultural sector, both a gradual de-indexation of farm incomes and a moderate reduction in the production targets seem to be desirable. A corresponding liberalisation of imports of agricultural products will lead to substantial economic gains. In industry, a firm and credible commitment is required to a planned and gradual reduction of subsidies over time, involving greater emphasis on the temporary character of any given support as well as the imposition of strict conditions for recipients to take necessary adjustment measures.

The economic upswing, earlier confined to export sectors, would now seem to be broadening to the rest of the economy. Private fixed investment picked up in the second half of 1984 and is expected to gather momentum in the coming twelve to eighteen months, reflecting reduced costs and improved profits. Labour market conditions improved during 1984 along with a further reduction of inflation. Growth of output of Mainland Norway is expected to increase this year and labour market conditions may continue to improve. The growth contribution from the real foreign balance, sharply lower in 1984, may turn negative in 1985, reflecting not only lower oil exports but also a loss of market shares in traditional export and import competing industries. The balance of payments is forecast to remain in surplus. A question, however, may be raised as to the appropriateness of the relatively expansionary stance of demand-management policy in 1985. Firstly, it would seem that the mix of fiscal and monetary policies is placing too heavy a burden on the latter in controlling inflation unless interest rates are sufficiently flexible. Secondly, as noted, the switch to the expansionary stance has partly been motivated by a rise in unemployment which in large part has been due to factors other than a lack of aggregate demand. It may therefore be that a relatively expansionary policy will have harmful effects on price and cost developments, which would endanger competitiveness and the growth of employment.

More generally, a careful re-examination of public finance seems warranted. Given the difficulty of raising taxes further (as they are already among the highest in the OECD area despite the oil bonanza), the rapid growth of transfers to the private sector, now accounting for more than 60 per cent of government outlays, has become a problem of significant dimensions. Being largely determined by commitments in the past and income negotiations such outlays importantly limit the room for alternative policy directions. Moreover, an increasing part of government oil revenues is now directly injected into the private economy (the deficit before loan transactions absorbing 80 per cent of oil taxes in 1985 against less than 50 per cent in 1980). Given the considerable uncertainties which surround both the future price of oil and the krone/dollar exchange rate and hence the stability of this source of government revenue, a very rapid absorption increases the vulnerability of the economy to events outside the control of Government. Even though budget indicators excluding oil revenues have been used since the early 1980s to assess the impact of fiscal policy in the domestic economy, alternative institutional arrangements may be explored to limit future calls on oil wealth.

In brief, the authorities' strong commitment to the maintenance of high employment may be difficult to honour unless there is a further change in policy towards more emphasis on the adjustment of production costs and structures to changing market conditions. Government policy will obviously have a major role to play in creating the best possible framework for continued employment growth. At the same time it would seem a *sine qua non* that the social partners come to an agreement on a wage formation process which can ensure cost developments consistent with the requirements of international competitiveness, the latter having been maintained in recent years only through several devaluations. This would also help to establish relative prices of factor inputs more favourable to employment. However, greater flexibility and market responsiveness in the pricing of production factors require determined efforts to loosen the rigidities which are besetting labour markets, and to allow the markets to play a greater role in allocating resources. Under such conditions Norway will be in a position to maintain high employment growth in future years to draw the maximum benefit from its very favourable position as a net energy exporter.

NOTES AND REFERENCES

1. Part of the rise in the price-output elasticity reflects the burst of inflation in the early re-entry phase 1980/81 after the termination of the price freeze by end-1979.
2. In 1983 the industrial production index (1975=100) reached 94 in Norway, 96 in the United Kingdom, 97 in Sweden, but was 115 in Germany, 128 in Denmark and 137 in Finland.
3. Defined here as branches where output growth has been 10 per cent higher than the OECD average.
4. In 1983 employment in the oil sector was some 12 000 man-years, corresponding to ½ per cent of total employment.
5. See OECD Survey of Norway, February 1983, p.33.
6. For an overview of Norwegian exchange rate policies see OECD Survey of Norway, February 1983, pp.34-36.
7. From 1970 Q1 to 1976 Q4 the effective appreciation amounted to 20.8 per cent. In 1982 Q2 the effective exchange rate was 16.8 per cent higher than in 1970 Q1.
8. Four devaluations took place over this period entailing a 12 per cent decline in the effective exchange rate. There were two exchange rate adjustments (September 1982 and September 1984) and two technical adjustments of the method of calculating the currency basket.
9. Most recently, foreign banks have been allowed to establish themselves in Norway on a reciprocal principle.
10. This relates to the different statistical coverage (official Norwegian statistics employ a narrower concept than the OECD National Accounts on which the Diagram is based, excluding the transport sector) and to the historically determined subsidy/tax structure, the latter being important for the level of subsidies since support could alternatively have been given through differentiated taxation.
11. Outstanding guarantees amounted in 1983 to some Kr 72 billion or some 18 per cent of GDP.
12. The capital intensity is measured by the capital share in value-added. The relative capital intensity ratio rose from 1.27 in 1970 to 1.55 a decade later.
13. Between 1977 and 1983, the industrial sector, excluding state firms and shipyards, reduced its employment by some 40 000 man-years, while employment in State firms continued to increase up to 1981, but has since fallen back to its 1977 level (22 000 man-years). Over the same period, the workforce in shipbuilding has been roughly halved (to 8 000 man-years). It has been estimated that regional policies have increased industrial employment in the districts by 21 500 man-years relative to the national average (shift-share analysis).
14. Considerations of self-sufficiency have played an important role in designing the present policy. The degree of self-sufficiency is high (some 80 per cent), measured in terms of the value of imports to total production but lower – some 50 per cent – measured in calorific terms [a level virtually unchanged from a decade ago (48 in 1970)]. In comparison, Sweden, with a relatively smaller agricultural sector, covers 97 per cent of its caloric requirements, suggesting more efficient production. However, agricultural production conditions are more favourable there and agriculture is also heavily subsidised.
15. Thus, the level of subsidisation in farming follows more or less technically from income developments in industry. Based on actual costs and revenues (including subsidies) in so-called "model farms" an average net income per man-year is arrived at. When tied to industrial wage developments, farm prices and subsidies, given output targets, are automatically determined.
16. The reallocation of labour into more productive employment may cause costs in the form of some depopulation of rural areas and increased pressures in urban areas in addition to private moving expenditure.
17. The *net loss per hour of labour input* was calculated to range between Kr 6 and 6½ for milk production and as much as Kr 173 for cereal cultivation. See *Statslig stotte til naringsvirksomhet*, NOU 21A, Oslo 1984 p. 132.

18. See NOU 21A p. 133. However, in view of the regional and social objectives referred to above, the social value of the marginal resources employed in agriculture may not be as negative as purely economic analyses suggest.

19. This of course disregards important qualifications as to the price elasticities of food demand in both the short and the long run and the fact that even with totally free imports, certain parts of the agricultural sector would still be competitive.

20. See OECD; Positive Adjustment Policies. Managing structural change, Paris, 1983.

21. In the traditional shipbuilding industry which received the major part of the support to shipyards, the level of wages was in the years up to 1975 about 7.8 per cent higher than in industry as a whole. Since then the relative wage has declined, but was in the years 1980 to 1982 still 3 per cent higher than the industry average.

22. These calculations are based on multipliers in the MODIS IV macroeconomic model as well as simulation results reported in the National Budget 1985.

23. For details see Annex II, Chronology of Main Economic Events.

24. That is, unchanged policies as they are known by mid-November and a krone/dollar exchange rate of Kr 8.6935. This technical assumption implies that an effective depreciation will be 2¾ per cent in 1984 and 2½ per cent in 1985.

25. In the first and second quarter of 1984, wagedrift was 5.7 and 5.5 per cent respectively including overtime. Excluding overtime and other supplements, wagedrift can be estimated to be just below 5 per cent.

Annex I

MEASUREMENT OF DIRECT GOVERNMENT SUPPORT TO BUSINESS

This annex provides a brief overview of the methods of calculating business sector support contained in the national budget publications in Norway. These are described in more detail in the Revised Budget 1983 and in "Government assistance to the regions" (NOU 1984 21A). The first paragraph below deals with the underlying general principles while the second briefly comments on their application. An overall assessment of the methods of calculation is that these are very cautious and probably understate the actual level of subsidies. However, these calculations are more appropriate than the subsidy concepts being used in most other countries.

The subsidy element in the various support instruments is calculated according to the following guidelines:

- The full amount of *direct support* to investment, employment and to production is considered as a subsidy;
- The support element involved in *state loans* is composed of two elements. The first is the difference between the actual interest rate paid and the cost of alternative borrowing multiplied by total loans. The other is total losses on loans;
- Assistance through *state guarantees* for loans and credit should in principle be measured as the difference between the actual interest paid and that required to make such credit arrangements without the guarantees;
- The subsidy content of *government equity capital* is the difference between actual rates of returns and the returns on alternative investment, in addition to an eventual depreciation of the capital;
- Lower *public charges* (such as on electricity) and *tax reliefs* (e.g. employers' social security contributions) should be measured by the difference in prices and taxes paid by subsidised and non-subsidised firms.

Actual calculations sometimes deviate from these principles for various practical considerations, and there are other caveats worth noting. In estimating *direct support* it is the actual amount paid each year that is recorded and not the budgeted amount even if it may be the latter which influenced firms' behaviour. Some of the direct support may be difficult to attribute to a specific sector. For example, support to independent research institutions where industry is the main beneficiary of results, is not counted as accruing to industry, while support to research carried out within the sector is considered as a subsidy. The actual calculation of the subsidy element in *state loans* takes the interest rate on government bonds as a measure of the cost of alternative private borrowing. If the former is lower than the private marginal cost of borrowing, which it may very well be, the degree of subsidisation is obviously understated. Government borrowing cost is also used as a proxy for return on alternative investment of *government equity capital*. The average return on equity capital in non-assisted firms is probably higher, tending to make the actual subsidy received higher than calculated. Support through *guarantees* on loans and credit is recorded only when losses occur. Over a number of years, however, the subsidy element recorded in this way may average out to come close to that which is estimated according to the principles stated above. Some indirect tax differentiations between firms are excluded from the calculations (e.g., investment tax). Support to the transport sector, which is included in the OECD National Accounts data on subsidies, is excluded in the Norwegian statistics. It should also be noted that no attempt has been made to assess which sectors are the ultimate receivers of the subsidies.

Annex II

CHRONOLOGY OF MAIN ECONOMIC EVENTS

1982

November

Final budget proposal 1983, including social security, was presented to Parliament, containing measures to increase domestic demand to offset a weaker international outlook. The proposal included:

i) Measures to stimulate residential construction;
ii) "Earmarked" funds available for labour market support in 1983 were increased from Kr 400 million to Kr 500 million, to be released mainly in the first half of 1983.

According to the final budget, the deficit before loan transactions excluding oil tax revenue was estimated at Kr 19.5 billion and Kr 20.6 billion in 1982 and 1983 respectively, or 6.4 and 6.3 per cent of GDP excluding oil and shipping.

December

Primary reserve requirements reduced from 8 to 7 per cent for commercial banks in Southern Norway, and increased from 6 to 7 per cent for savings banks in Southern Norway.

1983

January

The direct controls (paragraph 8 regulation) of the lending from savings banks abandoned and the financing institutions' guarantees for loans on the "grey market" subjected to regulation.

Basic pensions increased by Kr 600.

February

Presentation of Government measures to counter unemployment. Appropriations to special labour market measures increased by Kr 300 million for 1983.

The bond placement ratios for private banks reduced from 20 to 15 per cent in Southern Norway and from 10 to 5 per cent in Northern Norway.

March

Statoil reduced price on oil from Ekofisk by $0.75 a barrel to $30.25 a barrel.

April

Agreement in the wage negotiations reached. The main elements were the following:

i) An average wage increase of 7.7 per cent in the private sector;
ii) An average wage increase of 7.5 per cent in the public sector.

Primary reserve requirements reduced from 7 to 4 per cent for commercial banks in Southern Norway.

May

The revised national budget for 1983 presented to Parliament. Special labour market appropriations increased by another Kr 330 million for 1983. The Central Government budget deficit, adjusted for oil taxes, estimated at Kr 22.8 billion or 7.2 per cent of GDP excluding shipping and oil activities.

The domestic credit supply in the credit budget (excluding Statoil) increased by Kr 2.8 billion to Kr 38.8 billion in the revised national budget (as compared to the national budget).

Basic pensions were raised by Kr 800 as from 1st May.

June

The average ceilings on interest rates adjusted as follows:

- 13.1 per cent on short-term loans from private banks;
- 12.0 per cent on medium- and long-term loans from private banks and life insurance companies.

The interest rate on treasury bills reduced by ½ percentage point to 10.75 per cent. Introduction of direct credit controls to reduce the growth in factoring and leasing from private financing companies and lending from savings banks.

July

Introduction of paragraph 8 regulation on lending from commercial banks.

October

The Government presented the national budget 1984. The main elements were:

i) The central government budget deficit, adjusted for oil taxes, as a percentage of GDP excluding shipping and oil activities estimated to increase from 7.1 per cent in 1983 to 7.3 per cent in 1984;
ii) The increase in the supply of liquidity from domestic sources to private sector and municipalities estimated to be the same in 1984 as in the previous year;
iii) Tax reductions proposed for households and enterprises, aiming at improving competitiveness through more moderate wage claims;
iv) Measures to de-index government transfers and wages in the public sector announced.

November

A new government bond issue (Spar' 1983) offered to the household sector. Bonds for a total of Kr 500 million were sold.

December

The bond placement ratios for private banks reduced from 15 to 0 per cent in Southern Norway and 5 to 0 per cent in Northern Norway. The bond placement ratios for life insurance companies reduced from 40 to 30 per cent in Southern Norway and from 20 to 15 per cent in Northern Norway.

Final budget proposal 1984, including social security, presented to Parliament. The estimated deficit, adjusted for oil taxes, as share of GDP excluding shipping and oil activities, was 7.3 per cent.

1984

January

The direct controls (paragraph 8 regulation) of the lending from private banks abandoned. The primary reserve requirements increased from 4 to 5 per cent for private banks in Southern Norway.

March

The primary reserve requirements increased from 5 to 7 per cent for private banks in Southern Norway. Long-term state loan launched, with interest of 12.25 per cent.

May

Decentralised negotiations for the first year of the two-year settlement terminated for some branches in the private sector. The main elements in most agreements were:

- An average wage increase of 5.9 per cent from 1983 to 1984;
- A general pay increase amounting to Kr 0.70 per hour as from 1st April 1984.

For most of the public sector no agreement was reached, resulting in a strike for some employees. The strike was ended by government intervention after one week.

Presentation of the revised national budget 1984 to Parliament. Nominal credit targets adjusted somewhat upwards. The interest rate on Treasury bills reduced by ½ percentage point to 10.25 per cent. The money market interest rate reduced by ½ percentage point, to a range from 12.5 per cent to 13.0 per cent.

June

Introduction of a 7 per cent primary reserve requirement for leasing and factoring from private financing companies as from 1st September, while the direct control of such lending abandoned. New long-term state loan launched, with interest of 12 per cent.

The Ministry of Finance introduced guidelines for the calculation of lending rates for private banks and insurance companies. The average ceilings on interest rates were adjusted as follows:

- 12.6 per cent on short-term loans from private banks;
- 12 per cent on medium- and long-term loans from private banks and life insurance companies.

July

The regulations of the financing institutions' guarantees for loans on the "grey market" abandoned.

The weighting system of the Norwegian currency basket modified, using geometric instead of arithmetic weights.

September

Primary reserve requirements increased from 7 to 10 per cent for private banks in Southern Norway.

The money market interest rate raised by ½ percentage point, to a range of from 13 to 13.5 per cent.

The Bank of Norway announced a change in exchange rate policy steering towards a somewhat weaker krone (higher currency basket index).

October

The national budget 1985 presented to Parliament. The main elements were:

i) The central government budget deficit, adjusted for oil taxes and transfers from the Bank of Norway, as a percentage of GDP excluding shipping and oil activities, estimated to increase from 7 per cent in 1984 to 7.4 per cent in 1985;
ii) The increase in the supply of liquidity from domestic sources to private sector and municipalities projected to be 10.7 per cent from 1984 to 1985;
iii) Tax reductions proposed both for households and enterprises.

A new government bond issue (Spar' 1984) offered to the household sector. Bonds for a total of Kr 680 million were sold.

SPECIAL SECTION: MEASURES TO IMPROVE THE SUPPLY SIDE OF THE ECONOMY

The present more detailed list of measures does not pretend to be complete, but contains the main proposals since 1982 aimed at increasing the supply responsiveness of the economy.

a) *Tax reductions*

- *Personal taxes* have been reduced in every budget proposal totalling Kr 3½ billion (equal to 1 per cent of GDP). Moreover, the wealth taxation has been eased;
- *Business taxations* have also been reduced, both directly and through new depreciation rules introduced in 1982 and replaced in,1984 by an even more generous system.

b) *Incentives to save and invest*

- In addition to tax-free accumulation of savings in special deposits, schemes have been introduced to increase household investment in equity and government bonds;
- Better possibilities for firms to raise equity capital.

c) *Deregulation and competition*

- Restrictions on pricing in the housing sector (the secondary market) has been suspended;
- Measures have been taken to increase competition in product markets, notably by making transparent restrictive business practices and more liberal shop opening hours;
- Suspension of important quantitative regulations in financial markets and of limitations to foreign banks' access to the Norwegian financial system;
- The monopoly in telecommunication has been partially lifted;
- Restrictions on the establishment of new non-financial firms have been eased.

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STATISTICAL ANNEX

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Table A. **Supply and use of resources (new SNA)**
Kr. million, current prices

	1974	1975	1976	1977	1978	1979	1980	1981	1982P	1983P
Consumers' expenditure on goods and services	66 106	77 615	89 486	103 915	110 670	120 104	135 241	155 205	175 436	192 481
General government current expenditure on goods and services	23 759	28 701	34 087	38 625	43 543	46 585	53 478	62 616	70 366	78 257
Defence	3 916	4 745	5 291	5 736	6 354	6 784	8 018	10 227	11 141	12 589
Civil	19 843	23 956	28 796	32 889	37 189	39 801	45 460	52 389	59 225	65 668
Gross fixed capital formation	39 605	50 791	62 000	71 074	67 705	66 186	70 798	91 793	91 650	100 682
Change in stocks	4 018	1 544	1 376	–1 576	–6 941	–460	8 104	–7 761	5 887	–2 257
National expenditure	133 488	158 651	186 949	212 038	214 977	232 415	267 621	301 853	343 339	369 163
Exports of goods and services (non-factor)	60 016	62 189	70 173	76 264	87 221	105 407	134 795	156 288	165 114	185 187
Imports of goods and services (non-factor)	63 775	72 139	86 413	96 768	89 119	99 154	117 371	130 467	144 738	152 581
Gross domestic product in purchasers' values	129 729	148 701	170 709	191 534	213 079	238 668	285 045	327 674	363 715	401 769
Indirect taxes	22 741	26 455	31 011	36 327	37 946	41 106	49 024	55 696	61 423	68 496
Subsidies	7 514	9 258	11 624	14 111	16 446	16 743	19 960	21 795	23 680	24 652
Gross domestic product at factor cost	114 502	131 504	151 322	169 318	191 579	214 305	255 981	293 773	325 972	357 925
Depreciation and other operating provisions	18 698	21 089	26 280	31 060	34 598	36 878	41 358	48 053	53 814	58 669
Net domestic product at factor cost	95 804	110 415	125 041	138 258	156 981	177 427	214 623	245 720	272 158	299 256

Sources: Statistical submission to OECD; *Økonomisk Utsyn*, 1982.

Table B. Supply and use of resources (new SNA)

Kr. million

	1975	1975	1976	1977	1978	1979	1980	1980	1981	1982P	1983P
	1970 prices	1975 prices						1980 prices			
Consumers' expenditure on goods and services	52 069	77 615	82 332	88 039	86 606	89 389	91 488	135 241	136 784	138 726	140 109
General government current expenditure on goods and services	17 510	28 701	30 819	32 339	34 068	35 277	37 191	53 478	56 763	58 855	61 049
Defence	2 952	4 745	4 772	4 765	4 954	5 133	5 450	8 018	9 236	9 285	9 793
Civil	14 558	23 956	26 047	27 574	29 114	30 144	31 741	45 460	47 527	49 570	51 256
Gross fixed capital formation	32 265	50 791	55 933	57 968	51 471	48 912	48 181	70 798	83 485	75 387	77 420
Change in stocks	1 548	1 544	1 579	–1 727	–5 418	–649	4 344	8 104	–7 024	4 595	–2 972
National expenditure	103 392	158 651	170 663	176 619	166 727	172 929	181 204	267 621	270 008	277 563	275 606
Exports of goods and services (non-factor)	43 319	62 189	69 191	71 704	77 718	79 724	81 392	134 795	136 651	136 903	146 528
Imports of goods and services (non-factor)	46 487	72 139	81 023	83 807	72 459	71 954	74 298	117 371	119 113	124 063	122 556
Gross domestic product in purchasers' values	100 224	148 701	158 831	164 516	171 986	180 699	188 298	285 045	287 546	290 403	299 578
Depreciation and other operating provisions	14 267	21 089	23 812	25 732	26 806	27 691	28 625	41 358	43 656	45 124	46 563
Net domestic product at market prices	85 957	127 612	135 019	138 784	145 180	153 008	159 673	243 687	243 890	245 279	253 015

Sources: Statistical submission to OECD; *Økonomisk Utsyn*, 1982.

Table C. **Gross domestic product by industry of origin (new SNA)**

Kr. million, current prices

	1974	1975	1976	1977	1978	1979	1980	1981	1982p	1983p
Agriculture, forestry and fishing	7 494	8 236	9 655	11 025	11 392	11 712	12 639	14 938	15 753	15 234
Mining and quarrying, incl. oil exploitation	1 489	4 533	7 141	8 330	13 814	21 870	42 178	51 339	57 659	68 889
Manufacturing	27 728	32 301	34 316	36 214	38 313	43 542	44 487	48 234	51 909	54 934
Electricity, gas and water	4 387	5 037	5 736	5 984	7 618	8 805	9 684	11 877	13 840	16 470
Construction, incl. oil drilling	10 258	11 527	12 785	15 039	17 265	17 325	19 265	22 175	24 643	25 378
Maritime transport	11 400	9 253	9 221	9 075	9 773	10 929	13 166	14 317	12 799	13 542
Other transport, storage and communication[1]	7 598	8 695	10 246	11 629	13 404	14 549	16 399	19 496	22 666	25 741
Wholesale and retail trade	17 416	19 573	22 901	25 828	28 490	29 214	35 841	41 272	45 680	48 806
Banking and insurance	6 696	7 770	9 170	10 634	11 798	14 577	16 823	21 052	25 169	29 554
Hotels and restaurants	1 594	1 928	2 219	2 698	3 003	3 216	3 626	4 358	5 440	6 489
Dwellings	5 225	5 930	6 692	7 564	8 247	8 991	12 711	14 670	16 744	18 814
Commercial buildings	1 061	1 248	1 464	1 882	2 063	2 284				
Community, social and personal services	23 099	27 874	33 251	38 214	42 649	45 487	51 392	59 160	67 448	75 125
less: Imputed bank service charge	3 635	4 061	4 959	5 629	6 158	7 278	8 724	11 349	14 318	17 139
Other correction items	7 916	8 856	10 871	13 046	11 408	13 445	15 558	16 135	18 283	19 932
Gross domestic product in purchasers' values	129 729	148 701	170 709	191 534	213 079	238 668	285 045	327 674	363 715	401 769

1. Including pipeline transportation of oil and gas.

Sources: Statistical submission to OECD; *Økonomisk Utsyn*, 1982.

Table D. **Gross domestic product by industry of origin (new SNA)**
Kr. million

	1975	1975	1976	1977	1978	1979	1980	1980	1981	1982P	1983P
	1970 prices	1975 prices						1980 prices			
Agriculture, forestry and fishing	5 718	8 236	8 520	8 646	8 355	8 609	8 786	12 639	13 804	14 310	13 980
Mining and quarrying, incl. oil exploitation	3 013	4 533	6 741	7 335	11 773	14 174	17 402	42 178	40 583	41 263	47 503
Manufacturing	20 252	32 301	32 446	31 993	31 430	32 099	31 611	44 487	43 985	43 633	43 098
Electricity, gas and water	3 331	5 037	5 314	4 849	5 377	5 890	5 611	9 684	10 519	10 509	11 219
Construction, incl. oil drilling	7 776	11 527	11 780	12 715	14 005	13 894	14 042	19 265	19 039	19 418	19 138
Maritime transport	9 167	9 254	10 853	11 264	10 766	10 313	10 506	13 166	13 489	12 825	11 970
Other transport, storage and communication[1]	5 852	8 695	9 326	9 598	10 612	11 850	12 508	16 399	16 776	17 228	17 965
Wholesale and retail trade	14 203	19 573	20 680	21 776	22 071	22 924	23 282	35 841	35 282	34 250	34 117
Banking and insurance	3 628	7 770	8 179	8 562	8 726	9 270	9 343	16 823	17 697	17 873	18 516
Hotels and restaurants	1 154	1 928	1 931	1 941	1 947	2 015	1 898	3 626	3 570	3 287	3 455
Dwellings	4 273	5 930	6 260	6 613	6 700	7 027	9 481	12 711	13 107	13 471	13 896
Commercial buildings	945	1 248	1 384	1 594	1 711	1 825					
Community, social and personal services	16 892	27 874	30 202	31 807	33 309	34 756	36 209	51 392	53 624	55 920	58 022
less: Imputed bank service charge	1 690	4 061	4 736	4 885	3 314	4 610	2 861	8 724	8 985	9 199	9 521
Other correction items	5 710	8 856	9 950	10 708	8 505	10 663	10 480	15 558	15 056	15 615	16 220
Gross domestic product in purchasers' values	100 224	148 701	158 830	164 516	171 986	180 699	188 298	285 045	287 546	290 403	299 578

1. Including pipeline transportation of oil and gas.
Sources: Statistical submission to OECD; *Økonomisk Utsyn*, 1982.

Table F. Production by sector

	Mining and manufacturing							
	Industrial production[1], 1980 = 100							
	Total	By sector of production		By destination				
		Mining	Manufacturing	Exports	Consumption	Investment	Input in building and construction	Other input
1975	77	26	102	66	93	120	98	87
1976	81	39	103	77	96	130	99	84
1977	81	42	101	76	100	138	103	89
1978	89	68	99	86	101	133	108	83
1979	96	81	102	92	102	135	104	93
1980	100	100	100	100	100	100	100	100
1981	99	96	99	98	99	197	103	91
1982[p]	99	98	97	97	98	193	102	89
1983[p]	106	112	96	105	101	192	101	92

1. Averages of monthly figures.

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics; Statistisk Ukehefte.*

Table E. **General government income and expenditure (new SNA)**
Kr. million

	1974	1975	1976	1977	1978	1979	1980	1981	1982[P]	1983[1]
Current revenue	63 259	74 235	87 413	98 531	111 732	124 505	155 852	174 034	192 877	212 404
Indirect taxes	22 741	26 455	31 012	36 327	37 946	41 106	49 024	55 696	61 423	68 496
Social security contributions	17 023	19 863	21 866	24 733	27 757	29 914	34 224	38 699	43 618	47 678
Direct taxes	19 979	23 790	29 464	31 583	37 900	44 201	61 260	65 657	70 514	76 484
Income from interest	2 691	3 262	3 934	4 846	6 604	7 667	9 384	11 629	13 632	15 062
Other income	825	865	1 137	1 042	1 525	1 617	1 960	2 353	3 690	4 684
Current expenditure	522 227	62 595	75 279	87 619	101 522	111 892	129 010	148 185	166 692	185 470
Purchase of goods and services	23 759	28 701	34 086	38 624	43 543	46 585	53 478	62 616	70 366	78 257
Defence	3 916	4 745	5 291	5 736	6 354	6 784	8 018	10 227	11 141	12 589
Civil	19 843	23 956	28 795	32 888	37 189	39 801	45 460	52 389	59 225	65 668
Subsidies	7 514	9 258	11 624	14 111	16 446	16 743	19 960	21 795	23 680	24 652
Interest on the public debt	2 673	3 149	4 214	5 467	7 015	8 931	11 182	12 647	13 687	15 622
Current transfers	17 925	21 036	24 763	28 497	33 674	38 961	43 161	50 253	57 788	65 821
To households, etc.	17 257	20 154	23 679	27 049	31 916	37 023	40 975	47 636	54 517	61 972
To the rest of the world	668	882	1 084	1 448	1 758	1 938	2 186	2 617	3 271	3 849
Other expenditure	356	451	592	920	844	672	1 229	874	1 171	1 118
Net current saving	11 032	11 640	12 133	10 911	10 210	12 613	26 842	25 849	26 185	26 934
Depreciation and other operating provisions	1 011	1 154	1 380	1 616	1 868	2 026	2 327	2 658	2 962	3 213
Gross saving	12 043	12 794	13 513	12 527	12 078	14 639	29 169	28 507	29 147	30 147
Gross fixed capital formation	6 009	7 121	8 154	9 322	10 737	10 343	11 454	11 602	11 565	12 230
Net lending	6 034	5 673	5 359	3 205	1 341	4 296	17 715	16 905	17 582	17 917
Memorandum item:										
Revenue from oil sector	138	1 363	3 223	3 332	6 057	9 923	23 488	26 289	29 249	35 601

1. Preliminary estimates.
Source: Central Bureau of Statistics.

Table H. **Balance of payments**
National accounts basis
Kr. million

	1976	1977	1978	1979	1980	1981	1982p	1983p
Goods and services								
Exports, total	70 173	76 264	87 221	105 407	134 795	156 288	165 114	185 187
Commodities	43 853	48 747	57 863	70 007	92 863	106 899	114 762	133 119
Crude petroleum and natural gas from the North Sea	6 660	8 111	13 598	21 993	41 399	48 087	53 472	63 803
Direct exports in connection with oil activity[1]	30	1 050	359	940	443	1 643	342	445
Other commodities	30 707	31 103	33 560	41 682	47 194	52 397	53 459	60 912
Ships and oil platforms	6 456	8 483	10 346	5 392	3 827	4 772	7 490	7 958
New	3 697	4 882	6 701	1 467	1 402	668	2 291	2 491
Second-hand	2 759	3 601	3 645	3 925	2 425	4 104	5 199	5 467
Services	26 320	27 517	29 358	35 400	41 932	49 390	50 352	52 069
Gross receipts in connection with shipping and oil drilling	17 877	18 394	19 165	23 182	27 745	32 551	31 273	32 325
Travel	2 223	2 586	3 018	3 228	3 716	4 430	4 727	4 850
Other services	5 844	6 048	5 934	6 741	7 686	8 892	10 801	11 331
Other oil activity	376	489	1 241	2 249	2 785	3 517	3 552	3 564
Imports, total	86 413	96 768	89 119	99 154	117 371	130 469	144 738	152 581
Commodities	64 713	72 002	61 979	70 433	84 543	90 516	100 555	101 905
Direct imports in connection with oil activity	4 048	3 351	1 713	1 017	828	745	769	3 454
Other commodities	51 488	59 706	56 457	65 828	82 281	84 895	91 573	91 765
Ships and oil platforms	9 177	8 945	3 809	3 588	1 434	4 876	8 213	6 687
New	8 434	8 643	3 692	2 910	1 108	4 141	7 718	6 334
Second-hand	743	302	117	678	326	735	495	353
Services	21 700	24 766	27 140	28 721	32 828	39 953	44 183	50 676
Gross expenditures in connection with shipping and oil drilling	9 015	9 763	10 244	13 100	16 532	19 145	19 930	20 433
Direct imports in connection with other oil activity	3 460	3 884	3 117	2 175	1 622	3 031	2 607	5 298
Travel	3 522	4 639	5 661	6 042	6 486	8 470	10 583	11 526
Other services	5 703	6 480	8 118	7 404	8 188	9 309	11 063	13 419
Net goods and services	–16 240	–20 504	–1 898	6 253	17 424	25 820	20 376	32 606
of which:								
Selected items in connection with shipping[2]	3 428	3 776	8 428	9 461	11 706	10 905	7 825	8 822
Selected items in connection with oil activity[3]	–1 456	876	10 338	21 731	41 932	49 092	53 621	59 814

Table G. **Labour market and employment**

	Labour market		Employment									
	Registered unemployment	Jobs vacant[1]	1 000 man-years		Employees (1 000 persons)[2]							
	1 000 persons	Thousands	Self employed	Employees	Total	Agriculture, forestry fishing	Mining and manu-facturing	Building and construction	Commerce	Maritime transport, other transport and communications	Public adminis-tration	Other
1972	14.8	8.5	254	1 311	1 649	201	402	145	230	162	78	431
1973	12.8	8.2	251	1 320	1 654	189	401	142	234	163	76	449
1974	10.7	9.9	244	1 349	1 659	175	402	147	242	163	71	459
1975	19.6	6.0	238	1 358	1 707	159	423	147	238	158	85	497
1976	19.9	6.7	235	1 389	1 789	168	426	148	264	161	92	530
1977	16.1	8.8	232	1 425	1 824	165	419	156	274	171	89	550
1978	20.0	7.0	231	1 444	1 854	161	408	163	277	170	91	584
1979	24.1	6.2	231	1 455	1 872	161	397	151	277	172	92	622
1980	22.3	8.0	230	1 484	1 913	161	401	146	287	171	99	648
1981	28.4	6.5	225	1 496	1 932	164	404	150	296	179	100	639
1982	41.4	5.0	221	1 492	1 946	156	400	154	296	185	103	652
1983	63.5	3.3	220	1 492	1 957	146	375	153	295	179	110	699

1. Averages of number of unfilled vacancies at the end of the month.
2. The previous employment statistics were discontinued in 1970. Figures from 1972 represent Labour Market Survey estimates.

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*, and *Statistisk Ukehefte*.

Interest and transfers, net	–4 130	–6 298	–9 107	–11 531	–11 976	–13 360	–16 170	–16 327
From abroad, total	2 287	2 413	3 006	3 931	6 077	9 756	12 052	11 967
Interest and dividends	1 758	1 870	2 453	3 337	5 321	8 740	10 991	10 789
Transfers	529	543	553	594	756	1 016	1 061	1 178
To abroad, total	6 417	8 711	12 113	15 462	18 053	23 116	28 222	28 294
Interests and dividends	4 806	6 603	9 635	12 663	14 841	19 319	23 558	22 928
Transfers	1 611	2 108	2 478	2 799	3 212	3 796	4 664	5 367
Current Balance	–20 370	–26 802	–11 005	–5 278	5 448	12 460	4 207	16 279
Long-term capital, net	17 090	22 889	16 842	11 535	–4 094	–4 292	2 686	–11 278
Official	4 771	6 377	10 000	4 643	–1 743	–5 420	–8 349	–12 363
Financial institutions	936	3 427	4 812	4 941	2 128	47	873	1 989
Shipping companies	1 815	3 117	–1 179	187	–274	2 164	4 059	2 244
Direct investment	977	3 435	2 232	1 804	–963	2 875	697	–669
Other	8 591	6 533	977	–40	–3 242	–3 958	5 406	–2 479
Basic Balance	–3 280	–3 913	5 837	6 257	1 354	8 168	6 893	5 001
SDR allocations	–	–	–	201	199	206	–	–
Valuation adjustment	1 861	–3 295	–4 606	–414	2 505	–5 838	–13 914	–8 217
Short-term capital and errors and omissions	–267	6 681	2 860	–1 436	3 241	..	..	..
Change in gold and foreign exchange reserves	–1 686	–527	4 091	4 608	7 346	6 549	7 499	–346
Memorandum item:								
Gold and foreign exchange reserves, end of period	10 212	9 685	13 776	18 384	25 730	32 279	39 778	39 432

1. Including adjustments owing to the distribution of investment expenditures in respect of oil fields and gas fields developed in co-operation with United Kingdom.
2. Including net freight earnings from shipping, exports of second-hand ships and imports of ships.
3. Including exports of crude petroleum and natural gas, pipeline services, net receipts from oil drilling and second-hand oil platforms; imports of oil platforms and commodities and services direct to the North Sea.

Sources: Central Bureau of Statistics, *National Accounts 1968-1979*, and *Statistisk Ukehefte*.

Table I. Foreign trade, total and by area

$ million, monthly rates

	Imports, cif							Exports, fob						
		OECD countries			Non-OECD countries				OECD countries			Non-OECD countries		
	Total	Total	OECD Europe		Comecon	OPEC	Others	Total	Total	OECD Europe		Comecon	OPEC	Others
			EEC	Others						EEC	Others			
1974	703.1	598.3	294.3	179.8	19.7	46.3	38.9	524.3	430.2	246.4	142.4	22.1	7.9	64.2
1975	806.2	695.4	352.7	215.6	21.5	34.4	54.9	599.6	499.1	310.5	141.6	32.0	12.4	56.1
1976	925.7	789.2	411.1	231.9	29.3	56.1	51.1	659.8	553.8	370.0	136.5	24.7	16.3	65.1
1977	1 072.8	923.2	486.2	273.0	33.9	53.4	62.3	726.0	587.6	396.6	147.5	31.5	20.8	86.1
1978	951.9	816.7	428.1	257.9	27.7	49.7	57.6	836.6	699.5	496.5	142.0	32.6	18.1	84.2
1979	1 143.9	997.0	539.2	307.3	33.2	35.0	78.8	1 121.1	969.6	716.4	183.4	21.6	21.2	108.7
1980	1 413.0	1 236.2	677.8	350.2	30.8	47.4	98.6	1 541.0	1 376.1	1 101.6	205.4	22.6	34.6	107.7
1981	1 301.7	1 166.6	602.7	324.4	33.1	21.6	80.4	1 494.0	1 331.2	1 054.7	196.2	22.1	28.9	111.9
1982	1 287.7	1 134.4	584.5	329.0	47.8	12.4	93.1	1 462.1	1 301.5	1 051.5	188.4	17.8	22.8	120.0
1983	1 123.9	997.7	508.6	296.8	40.4	9.9	75.8	1 498.7	1 358.1	1 042.6	215.1	18.3	21.5	100.7

Source: OECD, *Foreign Trade Statistics, Series A.*

Table J. Prices and wages

	Consumer prices, 1979 = 100			Wholesale prices, 1981 = 100				Average hourly earnings Kroner	
	Total	*of which:*		Total	Consumer goods	Investment goods	Input	Industry	
		Food	Rent, heating and light					Males	Females
1974	66.4	66	66	55	55	59	60	21.83	16.75
1975	74.1	76	72	60	61	76	64	26.15	20.41
1976	80.9	84	78	65	65	74	68	30.44[1]	24.16[1]
1977	88.2	91	85	69	70	78	74	33.77	26.96
1978	95.4	96	94	72	75	83	77	36.44	29.24
1979	100.0	100	100	78	79	88	81	37.47	30.15
1980	110.9	109	112	90	89	95	91	40.97	33.55
1981	126.0	127	127	100	100	100	100	45.14	37.29
1982	140.3	145	143	106	109	105	107	49.76	41.42
1983	152.1	156	157	113	116	110	113	53.96	45.35

1. From 1.4.1976 the number of normal weekly working hours has been reduced from 42½ to 40.

Source: Central Bureau of Statistics, *Monthly Bulletin of Statistics.*

Table K. Money and credit

Kr. million

	Changes in money supply					Domestic lending by financial institutions								
	Government income surplus[1] and loan transactions, state banks and Central Bank	Commercial[2] Banks	Domestic liquidity supply	Foreign transactions	Change in broad money	Total[3]	Central Bank	Commercial banks	Savings banks	State Banks	Insurance companies	Mortgage credit institutions	Private financial institutions	Postal savings banks
						End of period								
1974	. .	. .	6 456	1 330	7 786	98 627	2 065	24 283	19 942	31 871	8 621	9 449	3 410	981
1975	3 947	10 207	14 154	–2 361	11 793	114 750	1 266	28 653[4]	22 807[4]	37 166	9 503	11 273	3 455	1 243
1976	10 872	11 042	21 914	–6 786	15 128	134 609	1 355	33 036	26 330	43 985	10 689	14 992	3 775	1 525
1977	15 780	12 596	28 376	–11 713	16 663	157 903	5 492	38 749	30 463	52 653	11 434	19 465	4 162	1 983
1978	17 526	5 915	23 441	–10 220	13 435	179 793	2 139	41 653	33 362	64 394	12 538	21 776	5 103	2 345
1979	18 067	9 478	27 545	–8 926	18 619	203 797	1 188	45 691	37 700	75 944	13 570	25 027	5 375	2 722
1980	16 743	11 366	28 109	–9 872	18 237	227 020	814	49 986	41 882	86 454	14 585	29 537	5 590	2 884
1981	17 536	16 591	34 127	–13 721	20 406	255 670	2 064	56 589	47 792	94 330	16 080	35 536	6 724	3 074
1982	19 715	12 382	32 097	–12 063	20 034	286 968	1 882	63 169	53 307	102 035	18 542	41 337	9 975	3 648
1983	18 171	14 122	32 293	–12 500	19 793	320 544	3 652	70 253	59 958	108 357	22 484	48 087	12 493	4 090

1. Excluding oil taxes.
2. Including tax-free allocations to funds and saving with tax reductions.
3. Breakdown does not add up total.
4. From 31.1. 1977 all receipts and expenditure are gross figures.

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics;* Central Bank, *Economic Bulletin.*

	Domestic credit by borrowing sector						The security market		Gold and foreign exchange holdings		
		(2) Business					Bond issues			of which:	
	(1) Municipalities	Total	of which: Agriculture, Fishing	of which: Mining and manufacturing	(3) Wage earners	Sum (1)+(2)+(3)	Domestic and foreign currency	Share issues	Total[1]	Official (including IMF position)	Commercial and savings banks
	End of period						During period		$ mill. end of period		
1974							8 193	876	1 861	1 755	–310
1975							17 491	1 455	2 207	2 362	–335
1976	12 497	61 038	7 884	21 123	64 130	137 665	15 870	1 372	1 743	2 103	–412
1977	15 414	70 895	9 219	25 913	74 699	161 005	22 400	1 625	1 820	1 592	94
1978	19 915	80 879	10 814	29 229	82 605	183 399	25 485	1 730	2 628	2 720	–214
1979	26 530	88 668	12 387	31 346	92 159	207 357	24 735	1 685	3 642	4 064	–753
1980	30 507	94 564	13 855	32 782	105 617	230 688	22 580	2 749	5 198	7 517	–2 319
1981	33 083	106 704	15 557	35 613	119 726	259 513	23 235	2 014	5 561	7 271	–1 710
1982	35 399	115 489	17 140	37 010	139 907	290 789	24 598	2 385	6 167	8 386	–2 219
1983p	38 869	128 541	18 612	40 185	153 468	320 878	39 649	3 141	5 402	8 159	–2 757

1. According to new definition adopted in January 1971.

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics;* Central Bank, *Economic Bulletin;* IMF, *International Financial Statistics* and OECD, *Main Economic Indicators.*

BASIC STATISTICS:

INTERNATIONAL COMPARISONS

	Reference period	Units	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany
POPULATION Total	Mid-1981	Thousands	14 923	7 508	9 852	24 365	5 122	4 800	53 963	61 682
Inhabitants per sq. km of land area	»	Number	2	89	323	2	119	14	98	248
Net average annual increase	Mid-1971 to Mid-1981	%	1.3	0.1	0.2	1.2	0.3	0.4	0.5	0.1
EMPLOYMENT Total civilian	1981	Thousands	6 364	3 276	3 669	10 933	2 369	2 234	20 959	25 588
of which: Agriculture	»	% of total	6.5	8.8	3.0	5.5	7.3	11.1	8.6	5.5
Industry[4]	»	»	30.6	39.5	33.4	28.3	29.3	34.8	35.9	43.5
Other	»	»	62.8	51.7	63.6	66.2	63.3	54.1	56.2	51.0
GROSS DOMESTIC PRODUCT in purchasers' values	1981	US $ billion[11]	160.7	66.5	95.1	284.3	58.1	49.1	569.4	683.2
Average annual volume growth[6]	1976 to 1981	%	2.7	2.6	1.5	2.8	1.3	3.5	2.3	2.5
Per capita	1981	US $[11]	10 763	8 842	9 651	11 741	11 350	10 238	10 552	11 076
GROSS FIXED CAPITAL FORMATION	1981	% of GDP	24.9	24.9	17.9	23.7	15.7	24.3	21.2	22.0
of which: Transport, machinery and equipment	»	»	12.4	11.7	5.8	8.7	6.4	9.8	9.3	8.3
Residential construction	»	»	4.8[10]	..	3.9	4.8	4.0	6.3	6.1	6.6
Average annual volume growth[6]	1976 to 1981	%	3.8	0.9	—2.6	3.0	—6.6	0.0	0.9	3.0
GROSS SAVING RATIO[12]	1981	% of GDP	21.5[10]	24.5	12.9	21.4	12.3	24.2	19.4	20.8
GENERAL GOVERNMENT										
Current expenditure on goods and services	1981	% of GDP	17.1	18.4	19.0	19.5	27.7	19.1	15.8	20.7
Current disbursements[13]	»	»	31.1[10]	44.0	52.7	38.4	55.1	35.2	45.7	44.3
Current receipts	»	»	34.4[10]	47.4	44.0	38.7	51.2	39.4	46.1	44.6
NET OFFICIAL DEVELOPMENT ASSISTANCE	1982	% of GNP	0.57	0.53	0.60	0.42	0.77	0.30	0.75	0.48
INDICATORS OF LIVING STANDARDS										
Private consumption per capita	1981	US $[11]	6 431	4 977	6 354	6 518	6 385	5 583	6 856	6 270
Passenger cars, per 1 000 inhabitants	1978	Number	475	272	302	410[22]	219	235	327	346
Telephones, per 1 000 inhabitants	1981	»	489[26]	421	387	694	675	522	498	488
Television sets, per 1 000 inhabitants	1980	»	378	296[29]	395[29]	471	368[29]	322[29]	354	337[29]
Doctors, per 1 000 inhabitants	1981	%	1.9	1.6[26]	2.6	1.6	2.2[26]	2.0	2.2[26]	2.3
Full-time school enrolment[15]	1980	%	86	74	89	89	87[23]	90	85	79[30]
Infant mortality[17]	1982	Number	10.0[28]	12.8	11.7[28]	9.6[28]	8.1[28]	6.5[28]	9.6[28]	11.6[28]
WAGES AND PRICES	Average annual increase									
Hourly earnings in manufacturing	1977 to 1982	%	10.2	6.3	8.1	9.9	10.4	11.0	14.2	5.4
Consumer prices	»	%	9.6	5.2	6.4	10.3	10.8	9.6	11.7	4.7
FOREIGN TRADE										
Exports of goods, fob	1982	US $ million[11]	22 152	15 648	52 404[7]	68 412	15 312	13 068	92 352	175 452
As percentage of GDP	»	%	14.01	23.36	60.58[7]	23.52	27.20	26.89	17.13	26.60
Average annual volume increase	1977 to 1982	%	2.32[32]	5.48	2.60[7]	0.08	5.83	5.25	3.54	4.57
Imports of goods, cif	1982	US $ million[11]	24 240	19 500	57 828[7]	54 816	16 836	13 428	115 380	154 044
As percentage of GDP	»	%	15.33	29.11	66.85[7]	18.84	29.90	27.63	21.40	23.36
Average annual volume increase	1977 to 1982	%	—0.69[32]	1.57	1.59[7]	—0.01	—0.24	3.87	4.54	3.06
TOTAL OFFICIAL RESERVES[24]	Mid-1982	US $ million	4 336	6 131	5 796[7]	4 076	2 472	1 551	22 644	48 017
As ratio of average monthly imports of goods	In 1982	ratio	2.15	3.77	1.20[7]	0.89	1.76	1.39	2.35	3.74

	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	New Zealand
POPULATION Total	9 730	231	3 443	56 502[2]	117 660	366	14 247	3 176
Inhabitants per sq. km of land area	74	2	49	118	316	141	346	12
Net average annual increase	1.0	1.2	1.5	0.5	1.1	0.6	0.8	1.0
EMPLOYMENT Total civilian	3 529	107	1 136	20 623	55 810	160	4 922	1 265
of which: Agriculture	30.7	11.7	17.7	13.4	10.0	5.6	5.0	11.2
Industry[4]	29.0	37.4	31.7	37.5	35.3	38.1	30.2	32.6
Other	40.3	50.9	50.6	49.1	54.7	56.3	64.8	56.1
GROSS DOMESTIC PRODUCT in purchasers' values	36.7	2.9	16.7	350.2	1 129.5	3.9	140.5	25.0[9]
Average annual volume growth[6]	2.9	4.0	3.8	2.6	4.6	1.8	1.4	0.2
Per capita	3 769	12 791	4 855	6 123	9 606	10 566	9 861	7 957
GROSS FIXED CAPITAL FORMATION	21.0[8]	25.9	29.8	20.3	31.0	23.3	19.0	20.6
of which: Transport, machinery and equipment	8.0	7.5	12.7[26]	8.5	10.5	9.2[26]	7.3	7.8[26]
Residential construction	6.0	4.7	6.6[26]	5.6	6.3	5.5[26]	5.5	3.6[26]
Average annual volume growth[6]	0.2	3.1	6.4	2.8	4.5	2.2	—0.4	—3.4
GROSS SAVING RATIO[12]	22.8	22.3	15.0	18.9	31.9	47.8	20.0	20.7[9]
GENERAL GOVERNMENT								
Current expenditure on goods and services	17.9	11.8	22.0	18.1	10.1	17.5	17.9	17.4[9]
Current disbursements[13]	36.0	25.0[22]	48.3[26]	46.1	26.5	51.6[26]	55.8	..
Current receipts	30.4	34.0[22]	41.7[26]	38.7	29.3	57.3[26]	55.9	..
NET OFFICIAL DEVELOPMENT ASSISTANCE	..	..	0.20	0.24	0.29	..	1.08	0.28
INDICATORS OF LIVING STANDARDS								
Private consumption per capita	2 555	7 934	3 099	3 831	5 550	6 393	5 979	4 748
Passenger cars, per 1 000 inhabitants	79	339	194	300	185	423	288	395
Telephones, per 1 000 inhabitants	302	475[26]	208	364	502	547[23]	539	560
Television sets, per 1 000 inhabitants	156[29]	275[29]	225[23]	386	539	245[23]	296[29]	278
Doctors, per 1 000 inhabitants	2.3[23]	2.3	1.2[14]	3.1[26]	1.3[26]	1.7[26]	1.9	1.6
Full-time school enrolment[15]	81[19]	83[14]	93	73	91	69	94	81
Infant mortality[17]	15.6[28]	6.0[28]	10.6[28]	13.2	7.1[28]	11.0[28]	8.1	11.8
WAGES AND PRICES								
Hourly earnings in manufacturing	26.3	49.9	16.3	19.6	6.2	6.2[31]	4.8	16.7
Consumer prices	20.3	49.4	15.2	16.8	4.6	6.2	5.5	14.9
FOREIGN TRADE								
Exports of goods, fob	4 284	684	8 088	73 380	138 252	..	66 228	5 551
As percentage of GDP	11.42	26.31	46.22	21.28	13.02	..	48.27	..
Average annual volume increase	2.59	..	6.83	3.07	4.77	..	2.21	3.66
Imports of goods, cif	9 972	948	9 684	85 920	131 124	..	62 580	5 782
As percentage of GDP	26.59	36.46	55.34	24.92	12.35	..	45.61	..
Average annual volume increase	3.26	..	4.26	3.05	1.66	..	0.38	2.86
TOTAL OFFICIAL RESERVES[24]	1 095	190	2 651	19 601	26 733	..	1 480	656
As ratio of average monthly imports of goods	1.32	2.41	3.29	2.74	2.45	..	2.20	1.36

	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia[1]
POPULATION Total	4 100	9 970	37 654	8 324	6 429	45 747	56 020	229 849	22 520
Inhabitants per sq. km of land area	13	108	75	19	156	59	230	25	87
Net average annual increase	0.5	1.1	1.0	0.3	0.2	2.3	0.1	1.0	0.9
EMPLOYMENT Total civilian	1 932	3 969	10 931	4 225	3 054	14 668	23 819	100 397	9 690[3]
of which: Agriculture	8.5	26.7	18.2	5.6	7.0	60.1	2.6	3.5	33.8
Industry[4]	29.8	37.5	35.2	31.3	39.3	16.4	35.7	30.1	22.3
Other	61.7	36.8	46.6	63.1	53.7	23.5	61.7	66.4	41.9
GROSS DOMESTIC PRODUCT in purchasers' values	57.1	23.8	186.1	122.4	94.5	57.6	497.8	2 906.3	67.8[26]
Average annual volume growth[6]	3.6	4.0	1.4	1.0	2.4	2.0	0.5	2.8	..
Per capita	13 937	2 398	4 938	13 505	14 778	1 262	8 886	12 647	3 034[26]
GROSS FIXED CAPITAL FORMATION	27.2	31.3	20.1	19.3	24.2	19.9	15.9	17.9	31.0[26]
of which: Transport, machinery and equipment	9.1	13.8	6.5[26]	7.8	7.6	8.7[22]	8.1	8.1	..
Residential construction	4.5	7.8	5.5[23]	4.6	16.6	2.7[22]	2.1	3.6	7.2[26]
Average annual volume growth[6]	0.2	6.6	—1.2	—1.4	5.1	—2.4	—1.9	3.3	5.7[26]
GROSS SAVING RATIO[12]	29.8	22.7	18.0	16.0	28.7	20.3	17.3	18.9	37.0[26]
GENERAL GOVERNMENT									
Current expenditure on goods and services	19.0	14.9	11.8	29.3	12.5	12.6	22.3	18.1	16.9[26]
Current disbursements[13]	44.6	30.9[14]	29.4[26]	60.3	28.1	..	44.6	34.2	..
Current receipts	52.5	28.1[14]	30.0[26]	59.0	32.6	..	43.4	33.7	..
NET OFFICIAL DEVELOPMENT ASSISTANCE	0.99	..	..	1.02	0.25	..	0.38	0.27	..
INDICATORS OF LIVING STANDARDS									
Private consumption per capita	6 609	1 668	3 449	7 091	9 244	885	5 382	8 085	1 580[26]
Passenger cars, per 1 000 inhabitants	282	118	178	345	324	14	262	526	85
Telephones, per 1 000 inhabitants	485	149	329	828	751	39[23]	507	789	71[22]
Television sets, per 1 000 inhabitants	292[29]	141	252	381[29]	314[29]	75[29]	404	624	192[29]
Doctors, per 1 000 inhabitants	2.0	1.9[26]	2.6	2.2[26]	1.6	0.6	1.3	2.0[26]	1.3[22]
Full-time school enrolment[15]	94[23]	55[22]	87[22]	86	..	37[23]	82[23]	100[30]	83
Infant mortality[17]	7.5[28]	26.0[26]	10.3[28]	6.8	7.6[28]	131.0[27]	11.8[28]	11.2	30.7[28]
WAGES AND PRICES									
Hourly earnings in manufacturing	8.3	19.3	20.5	8.7	4.4	..	13.4	8.4	25.4
Consumer prices	9.7	21.0	16.0	10.3	4.2	56.5	12.0	9.8	27.3
FOREIGN TRADE									
Exports of goods, fob	17 544	4 176	20 568	26 736	25 932	5 772	97 224	212 280	8 364
As percentage of GDP	31.27	17.92	11.48	27.31	27.04	10.99	20.63	7.02	13.46[28]
Average annual volume increase	6.40	..	7.57[33]	3.52	1.85	14.25	1.55	2.91	..
Imports of goods, cif	15 456	9 420	31 620	27 624	28 596	8 940	99 672	243 948	10 980
As percentage of GDP	27.55	40.43	17.65	28.22	29.82	17.63	21.15	8.06	17.67[28]
Average annual volume increase	1.67	..	2.06[33]	1.89	4.43	—4.39	3.32	—0.31	..
TOTAL OFFICIAL RESERVES[24]	6 611	1 374	9 809	3 798	18 024	1 254	14 572	27 710	1 260
As ratio of average monthly imports of goods	5.13	1.75	3.72	1.65	7.56	1.68	1.76	1.36	1.38

1. Partly from national sources.
2. Total resident population.
3. Private and socialised sector.
4. According to the definition used in OECD: Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
5. Social product.
6. At constant prices.
7. Including Luxembourg.
8. Excluding ships operating overseas.
9. Fiscal year beginning 1st April.
10. Fiscal year beginning 1st July.
11. At current prices and exchange rates.
12. Gross saving = Gross national disposable income minus private and government consumption.
13. Current disbursements = Current expenditure on goods and services plus current transfers and payments of property income.
14. 1976.
15. Gross enrolment rates in secondary schools.
16. 1974.
17. Deaths in first year per 1 000 live births.
18. Figures are not strictly comparable due to differences in coverage.
19. 1978.
20. 1975.
21. 1972.
22. 1977.
23. 1979.
24. Gold included in reserves is valued at 35 SDR per ounce (see IMF, *International Financial Statistics*, series Total Reserves).
25. 1976 to 1980.
26. 1980.
27. 1975 to 1980.
28. 1981.
29. Licences issued.
30. Primary and secondary schools.
31. 1976 to 1981.
32. 1977 to 1980.
33. 1977 to 1979.

Note: Figures within brackets are estimates by the OECD Secretariat.

Sources: Common to all subjects and countries: OECD: *Labour Force Statistics, Main Economic Indicators, National Accounts, Observer, Statistics of Foreign Trade (Series A)*; Statistical Office of the European Communities, *Basic Statistics of the Community*; IMF, *International Financial Statistics*; UN, *Statistical Yearbook*.

National sources have also been used when data are not available according to standard international definitions.

16-11-83

EMPLOYMENT OPPORTUNITIES

Economics and Statistics Department

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