DOES NORWAY SAVE TOO MUCH?

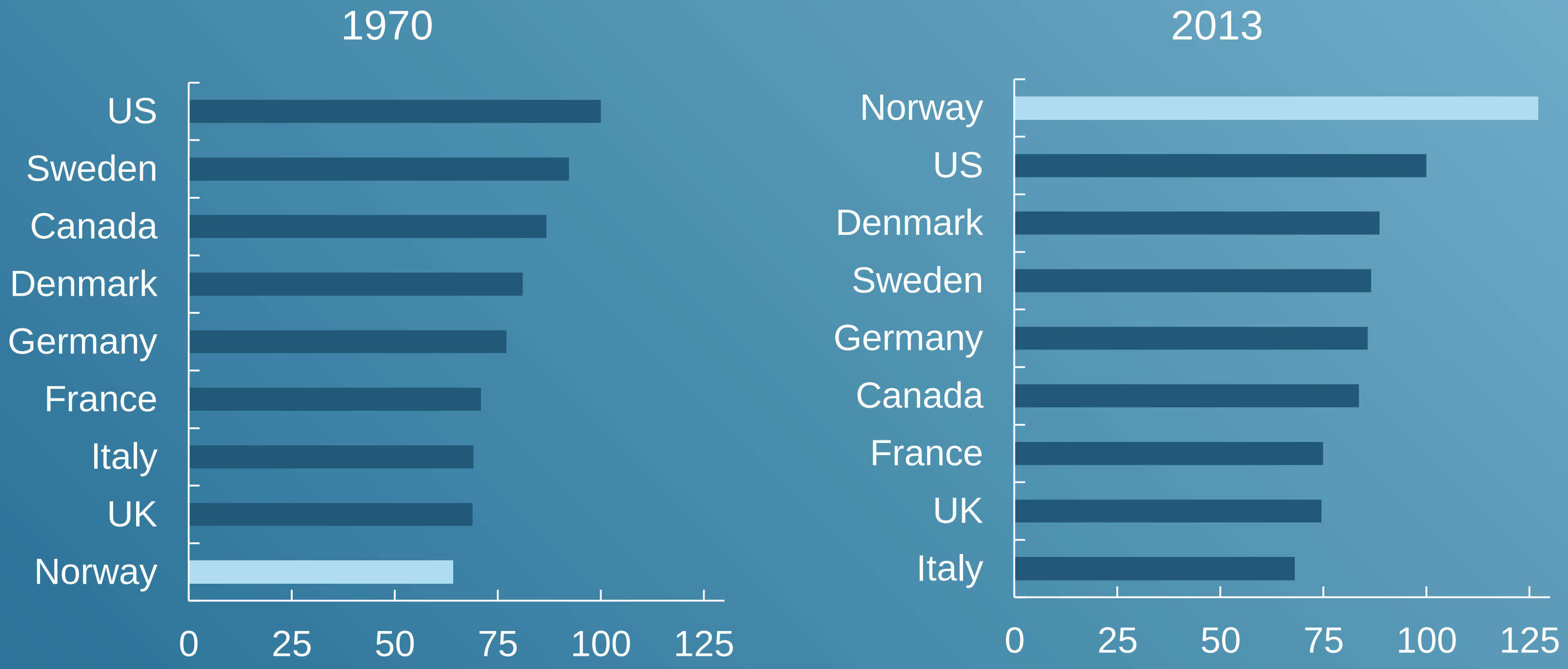
GOVERNOR ØYSTEIN OLSEN

22 March 2018

NORGES BANK

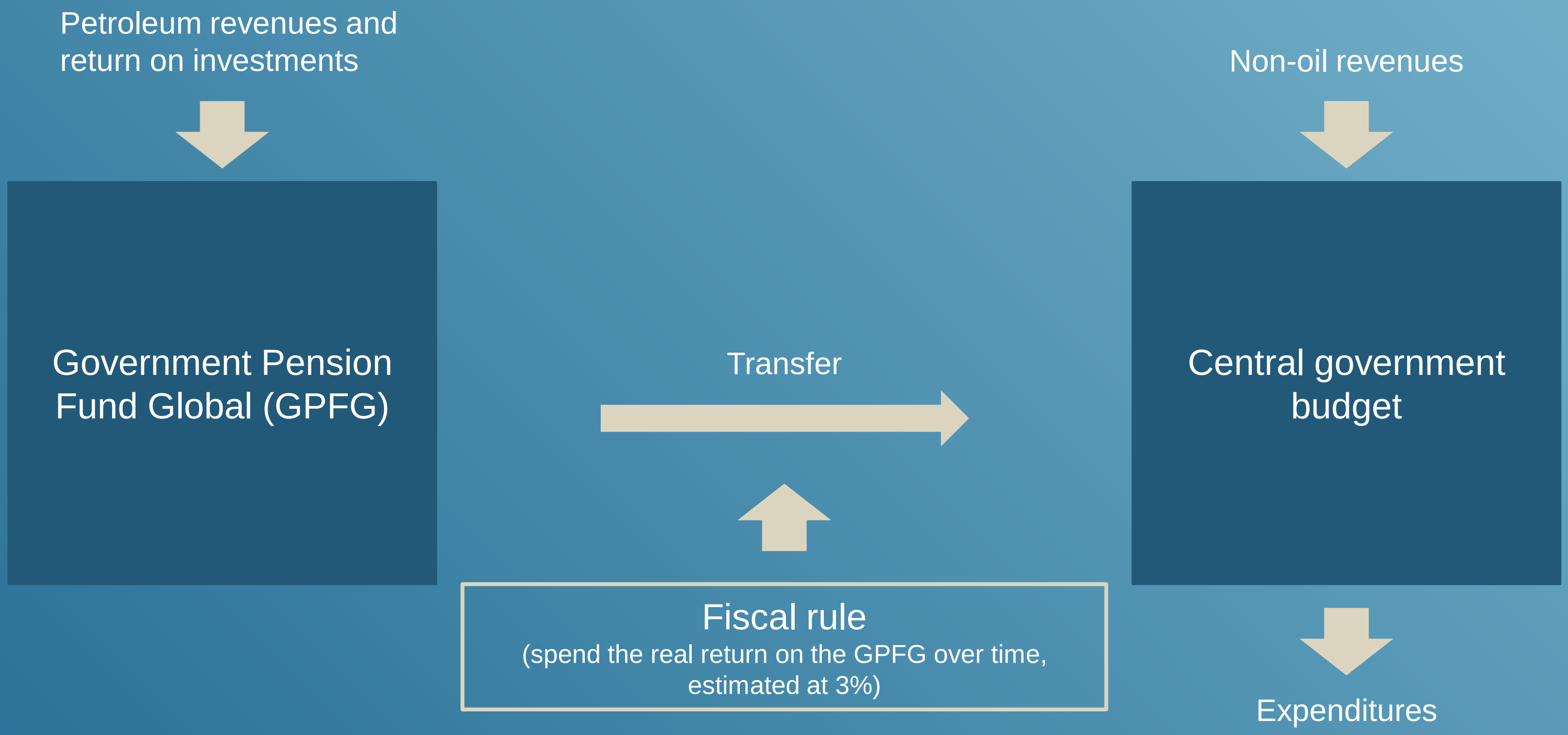
GDP per capita

PPP. US = 100



Source: OECD

The petroleum fund mechanism

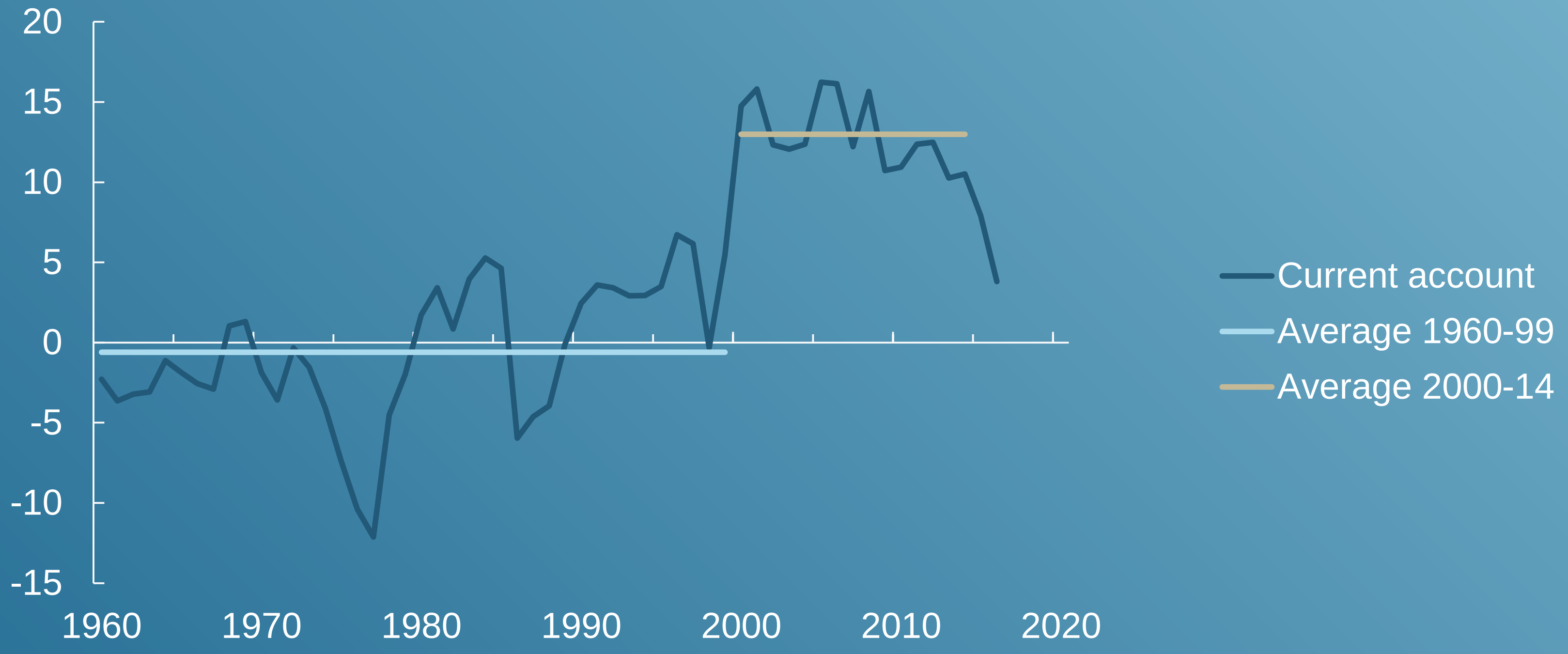


Outline

- Why a surplus or deficit?
- How much should oil producers save?
- Reasons for high saving in Norway
- Conclusion

Current account balance for Norway

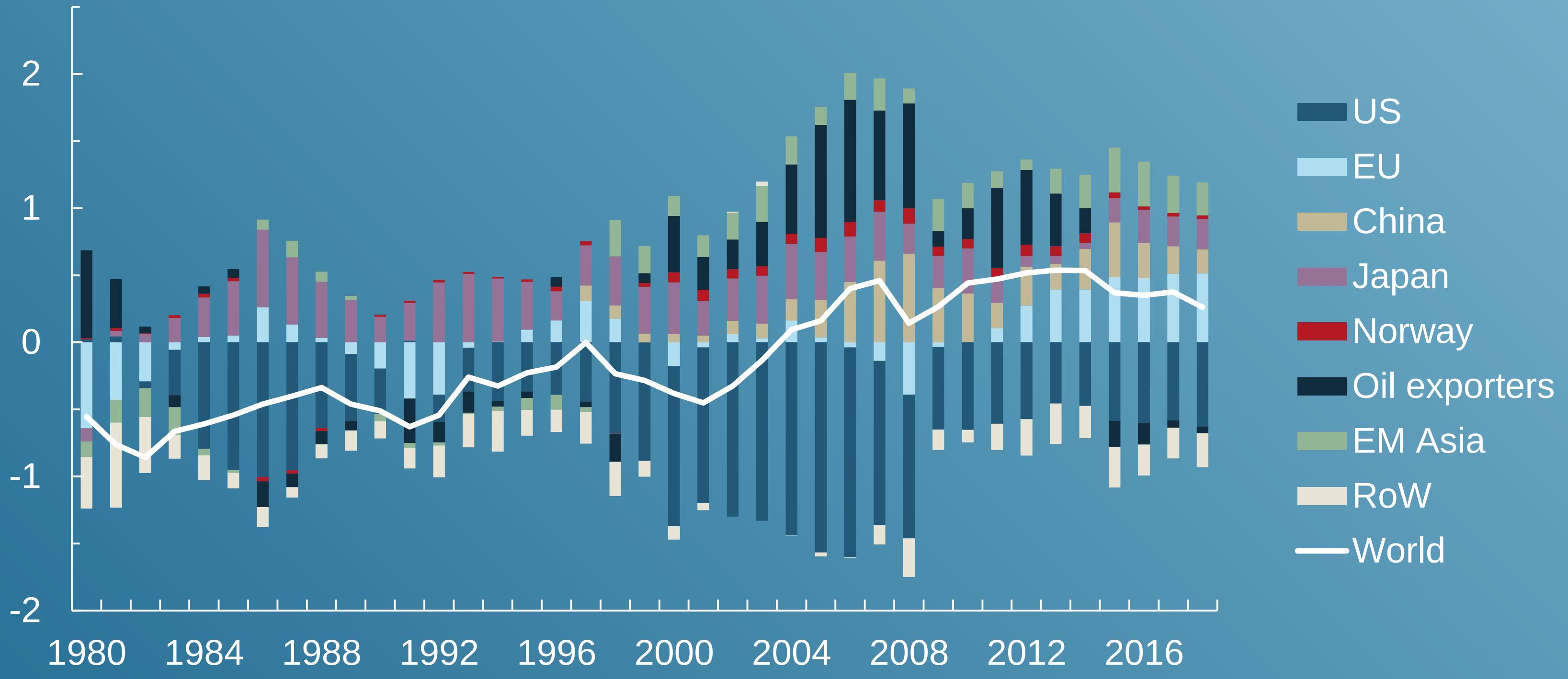
As a percentage of GDP



Source: Statistics Norway

Current account balances

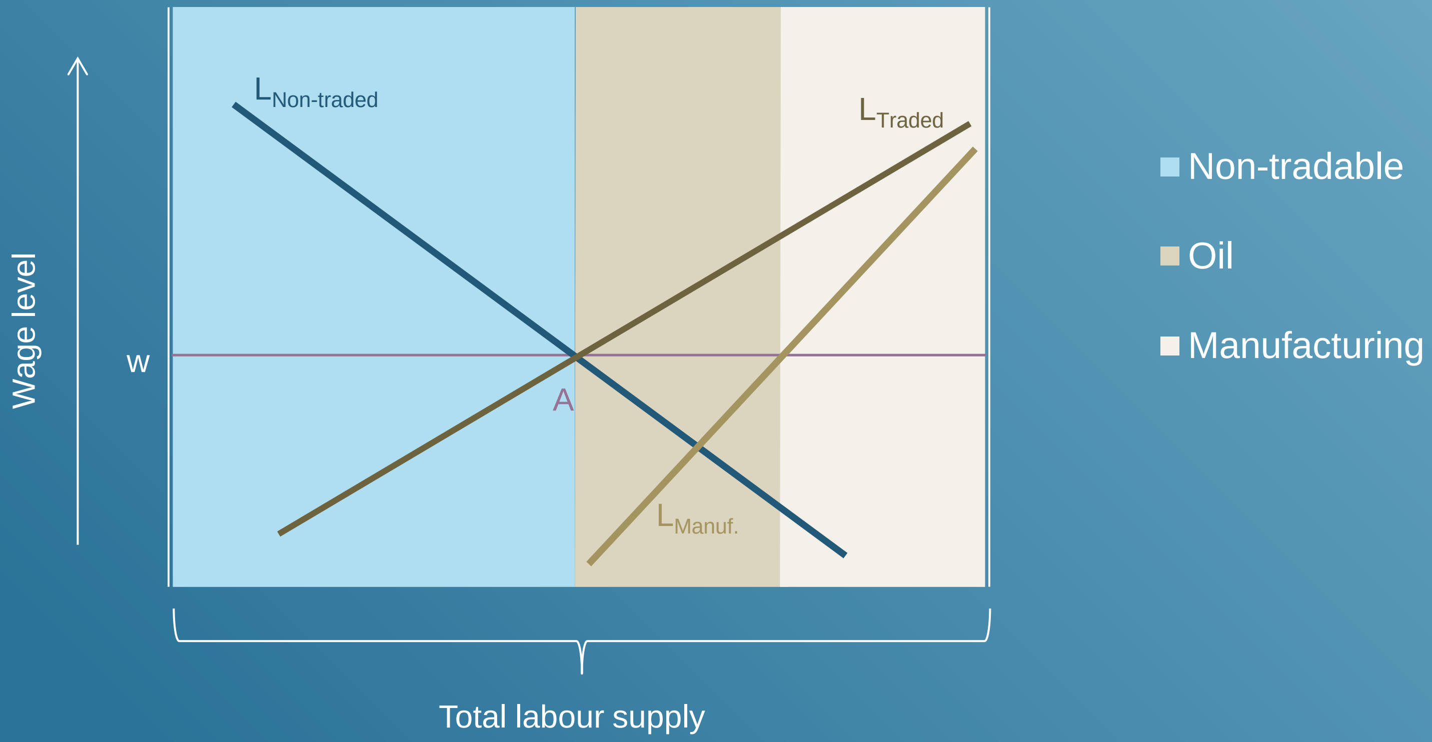
Current accounts as a share of global GDP



Source: IMF

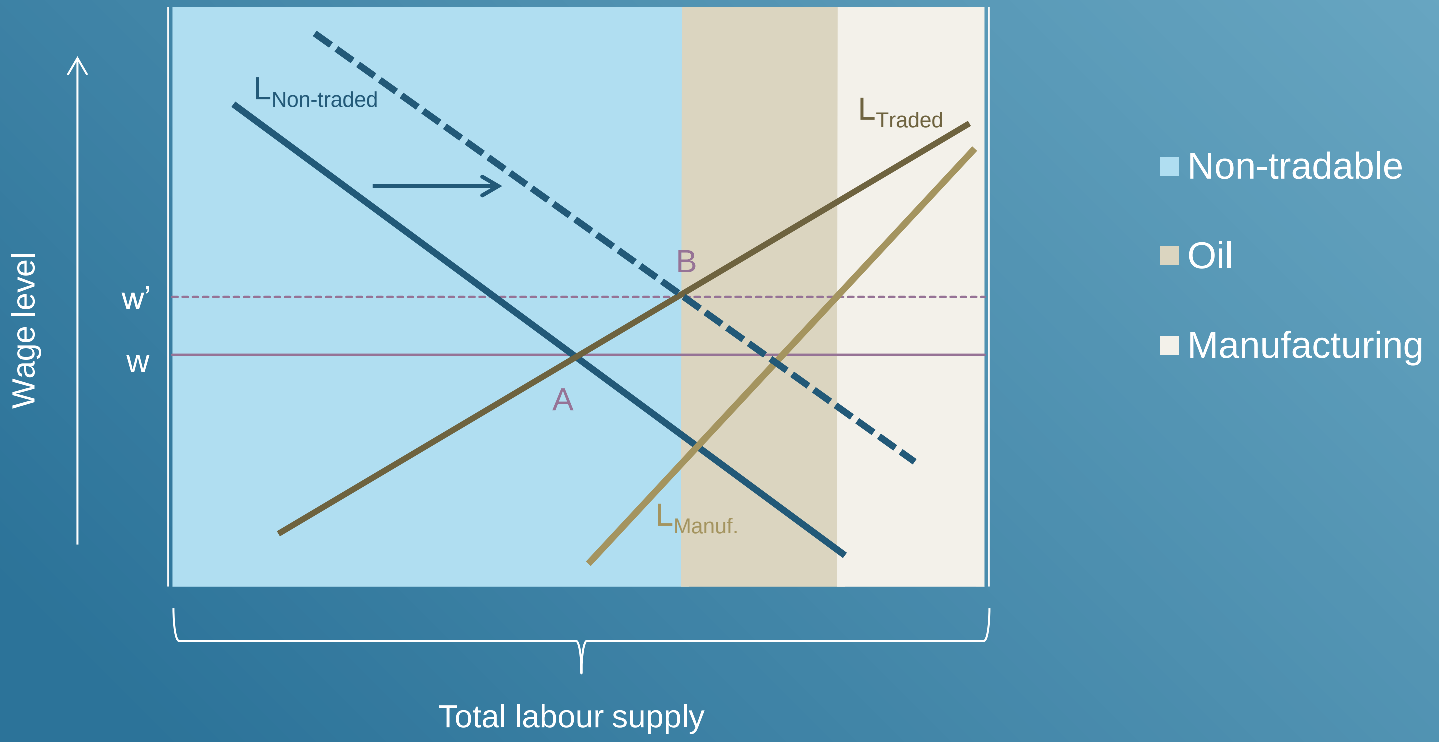
Labour market in a three-sector model

Corden and Neary (1982)



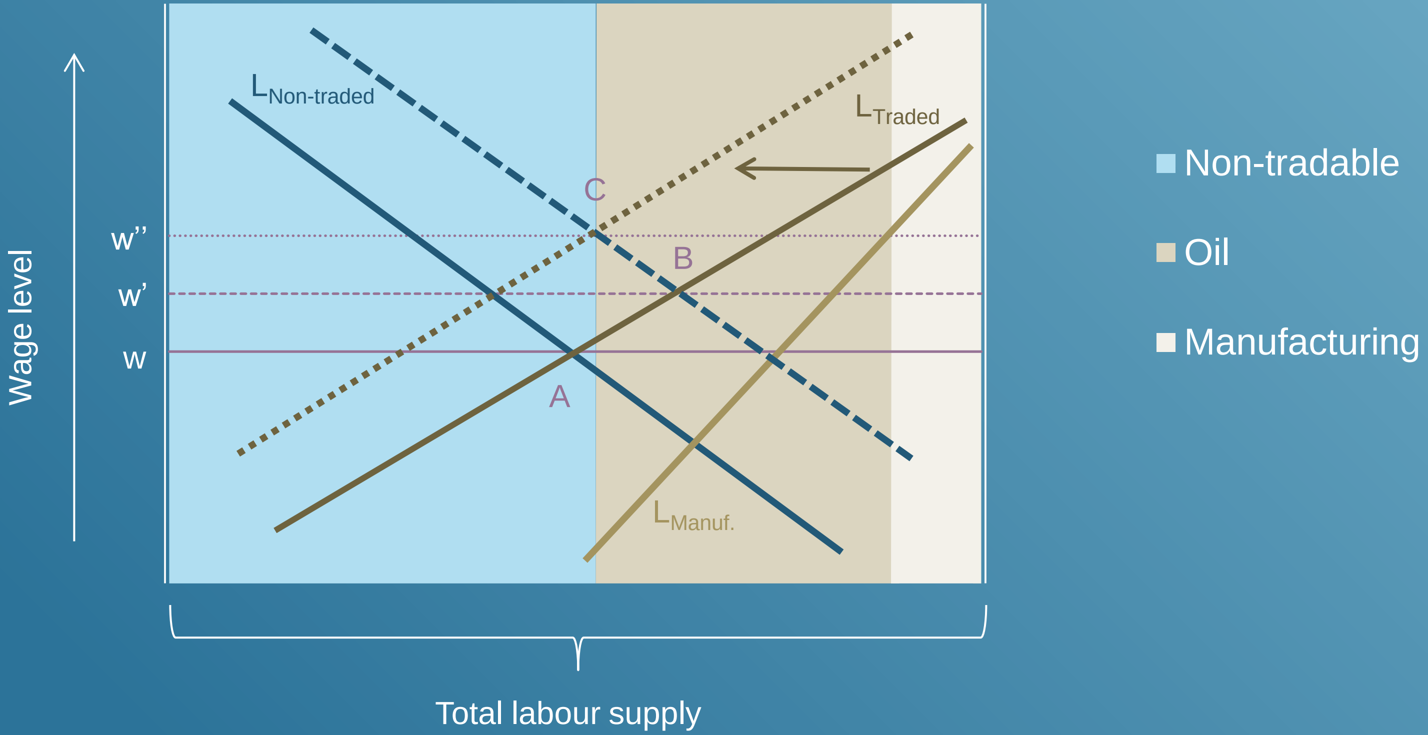
“Spending effect”

Corden and Neary (1982)



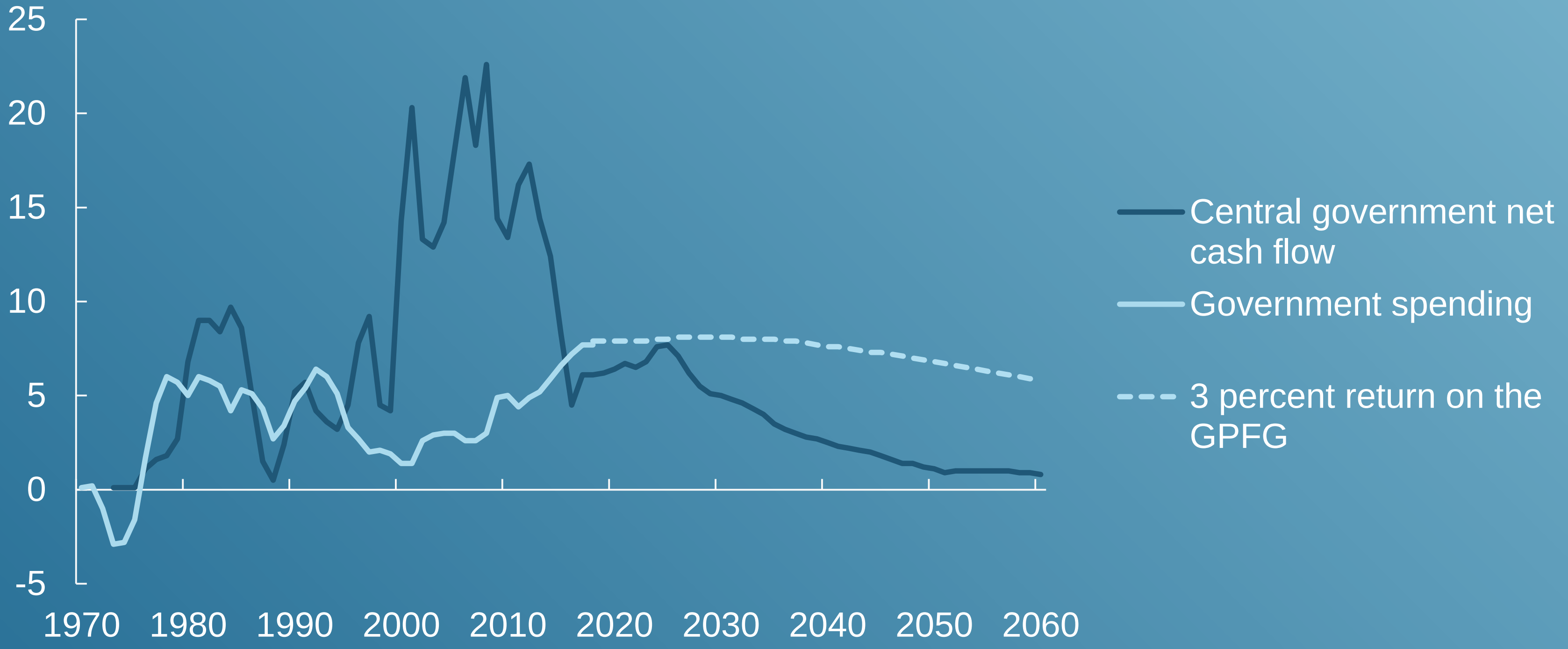
“Resource movement effect”

Corden and Neary (1982)



Oil and gas revenues and government spending

As a percentage of trend GDP for mainland Norway

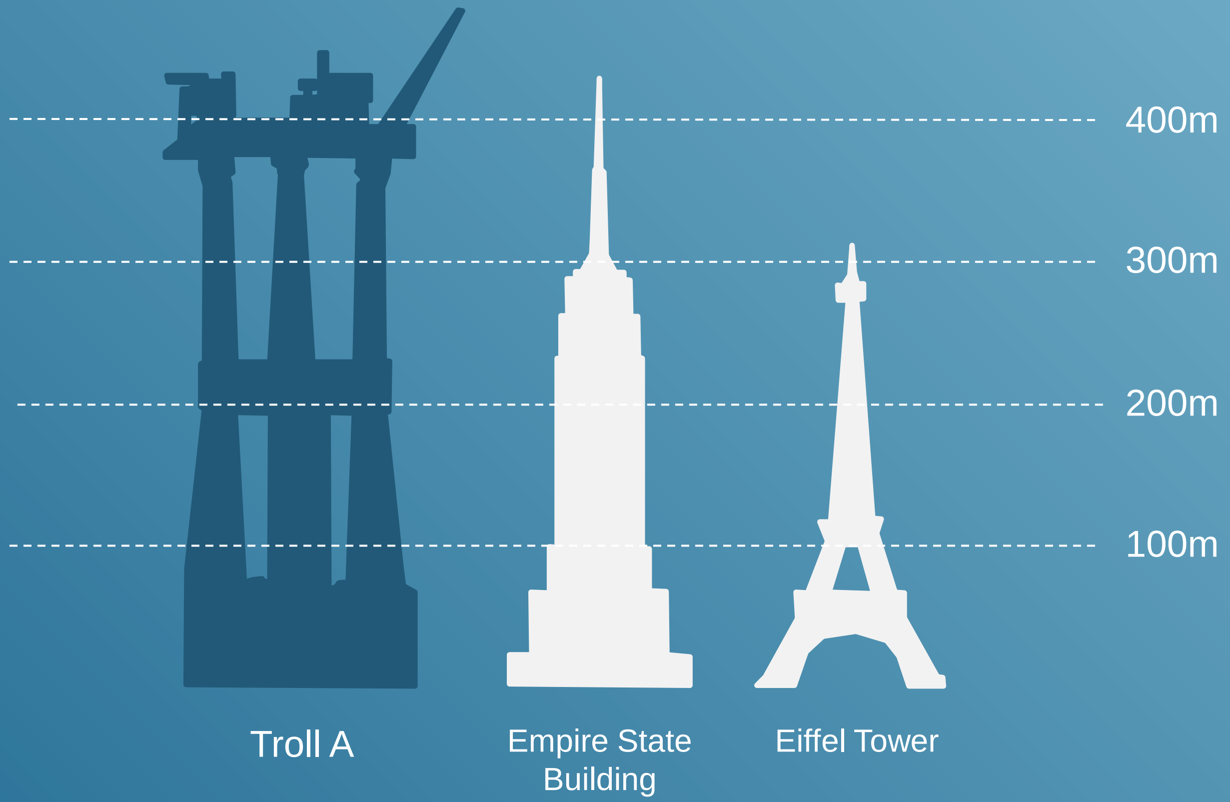


Source: Ministry of Finance

Arguments for higher saving

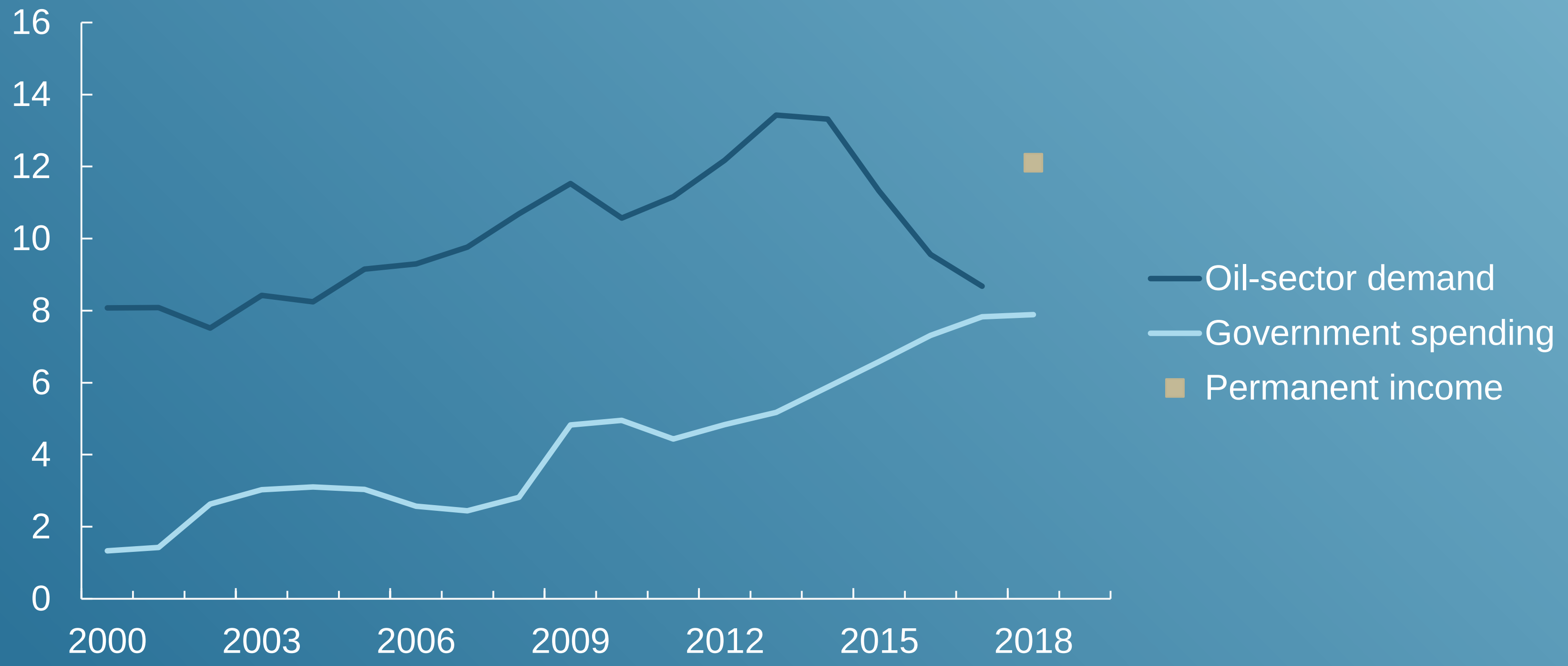
1. Resource movement effect
2. Intergenerational concerns
3. Uncertainty
4. Political feasibility

The Norwegian Troll A platform and some other structures



Demand from the oil and gas sector and government spending of oil/gas revenues

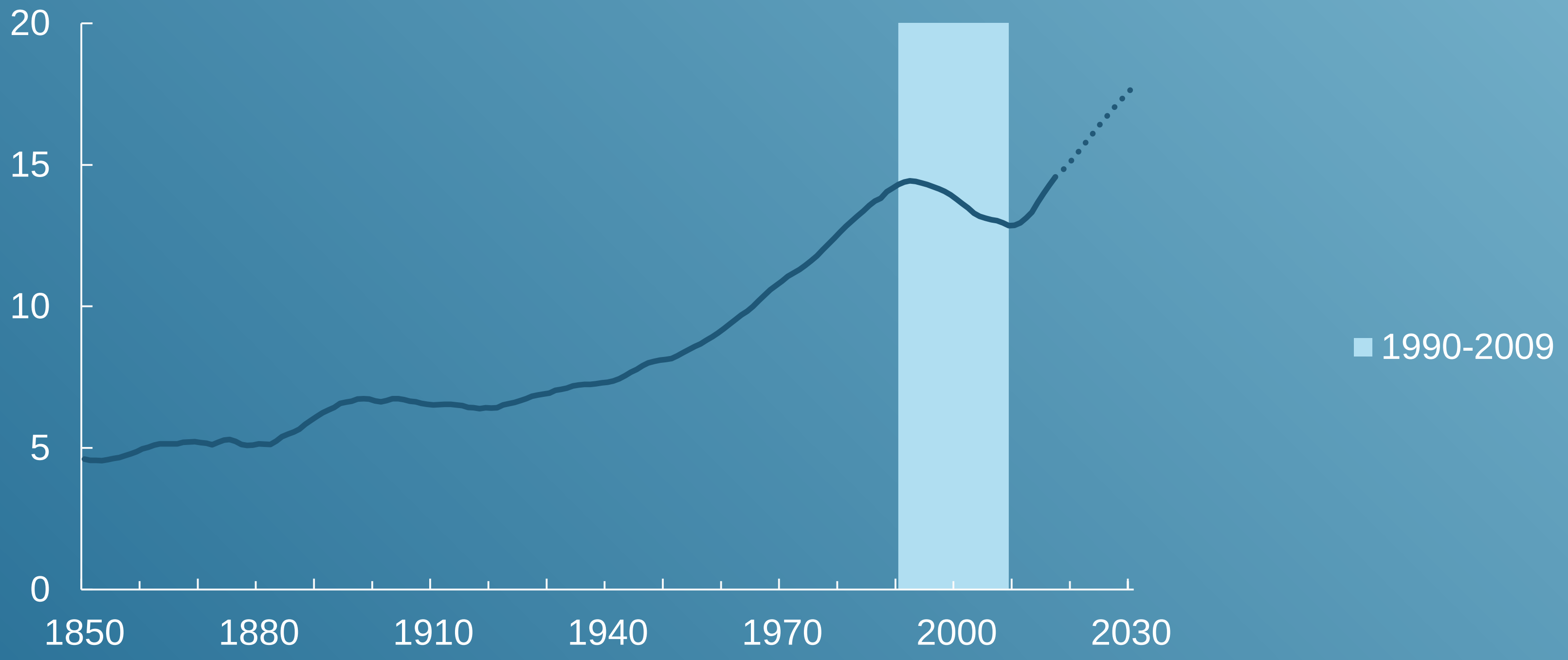
As a percentage of mainland GDP



Sources: Ministry of Finance and Statistics Norway

Old-age dependency ratio

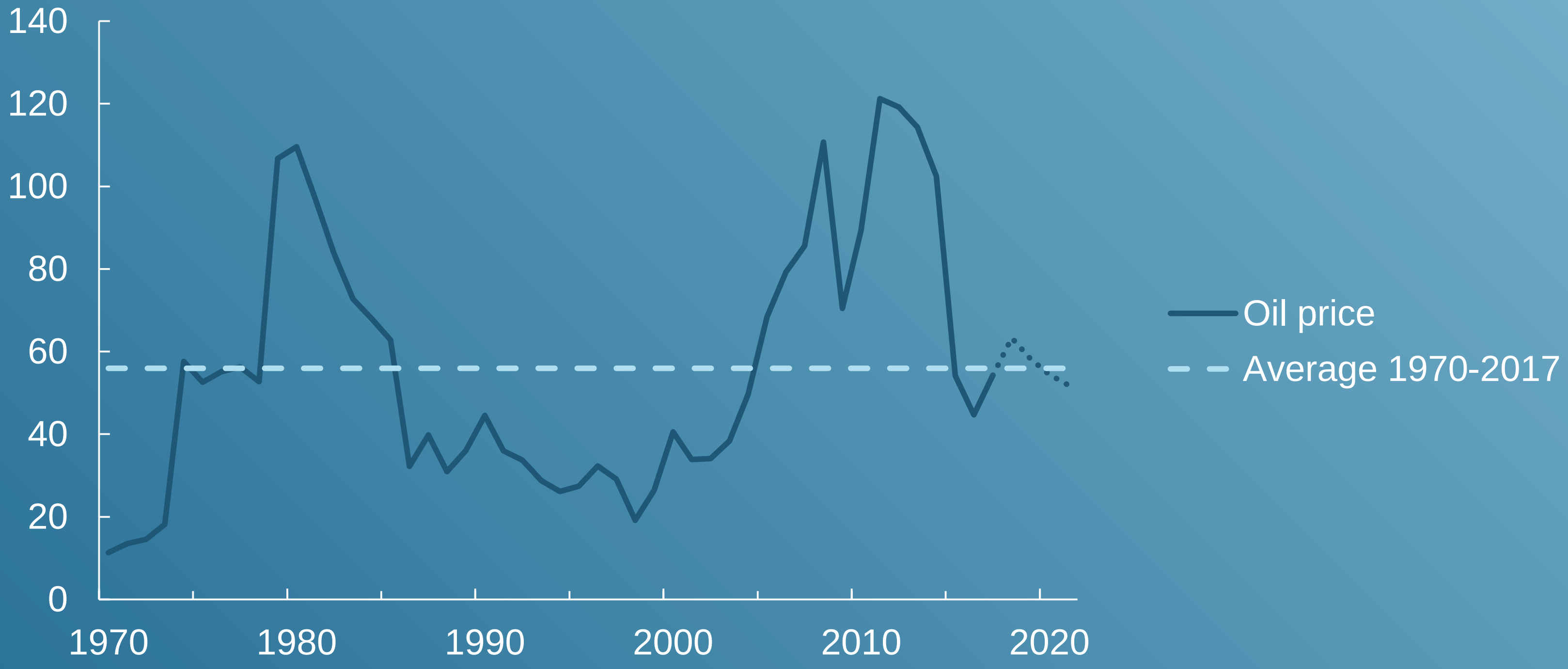
Share of population aged 67 and older in Norway. Percent



Source: Statistics Norway

Oil price

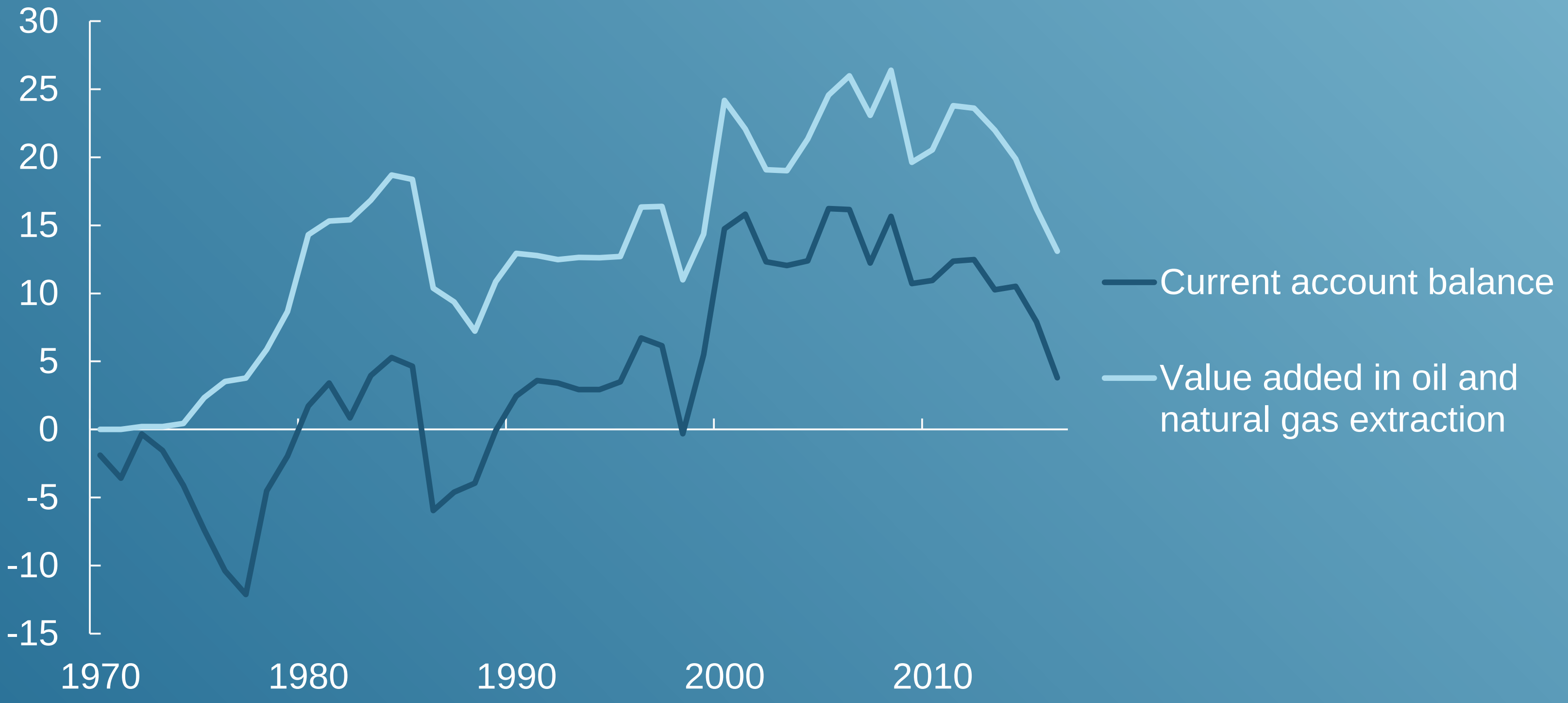
2017-USD per barrel



Sources: BP and Thomson Reuters

The current account and value added in oil and gas extraction

Share of GDP. Percent



Source: Statistics Norway

Conclusion

- Oil and gas have been a blessing
- Temporary income flows should be transformed into permanent gains
- Simplicity and robustness are important concerns
- The current rule strikes a good balance

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