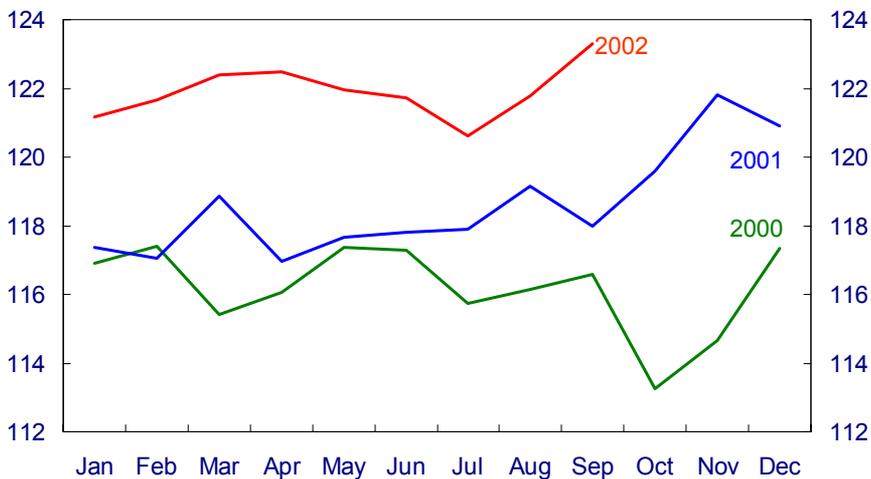


Chapter 3

Demand and production

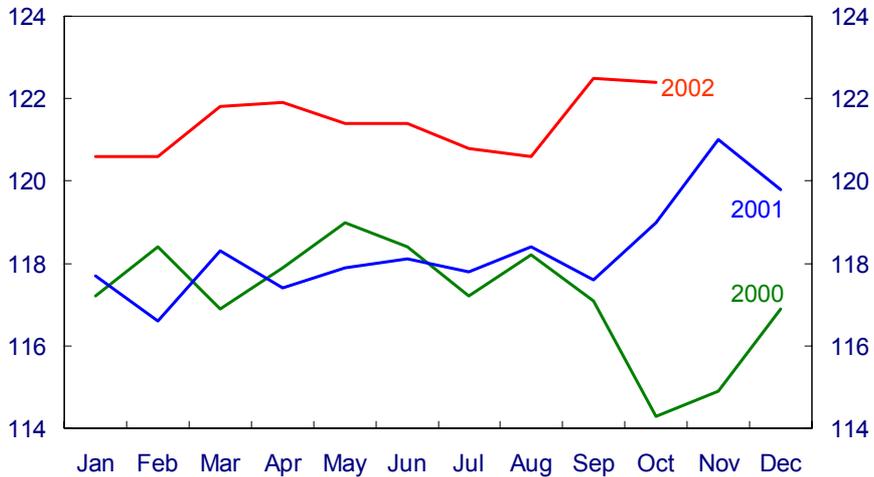
3.1 Goods consumption index 1995=100. Seasonally adjusted volume



Source: Statistics Norway

3.2 Retail sales index

Seasonally adjusted volume

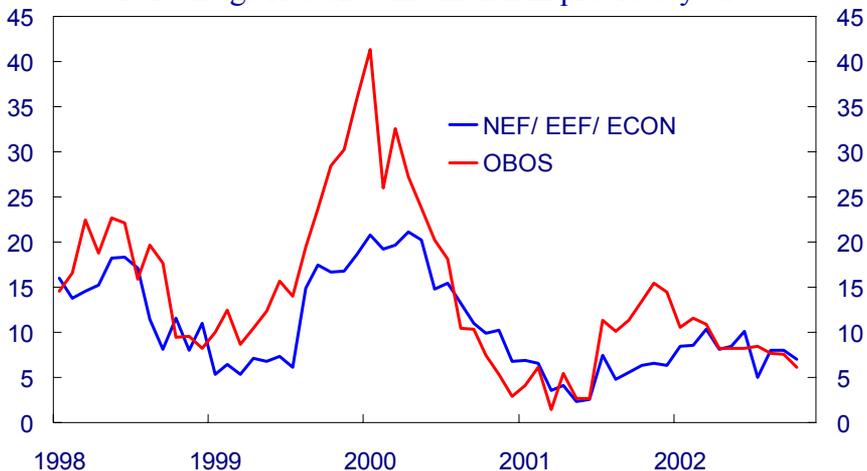


Source: Statistics Norway

Hovedstyret desember 2002

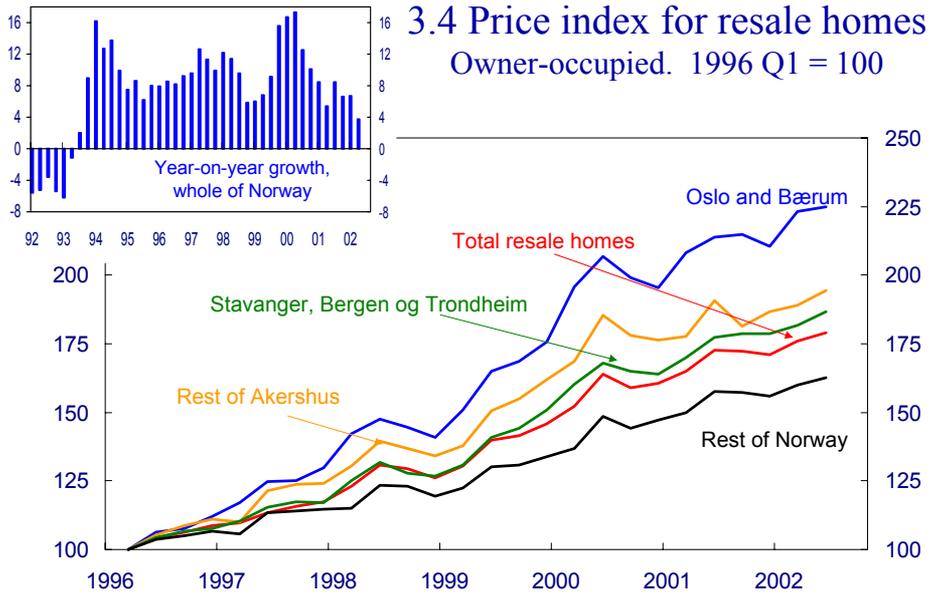
3.3 House prices

Percentage rise on same month in previous year



Source: Norwegian Association of Real Estate Agents (NEF), Norwegian Association of Real Estate Agent Enterprises (EFF), Finn.no, ECON and OBOS

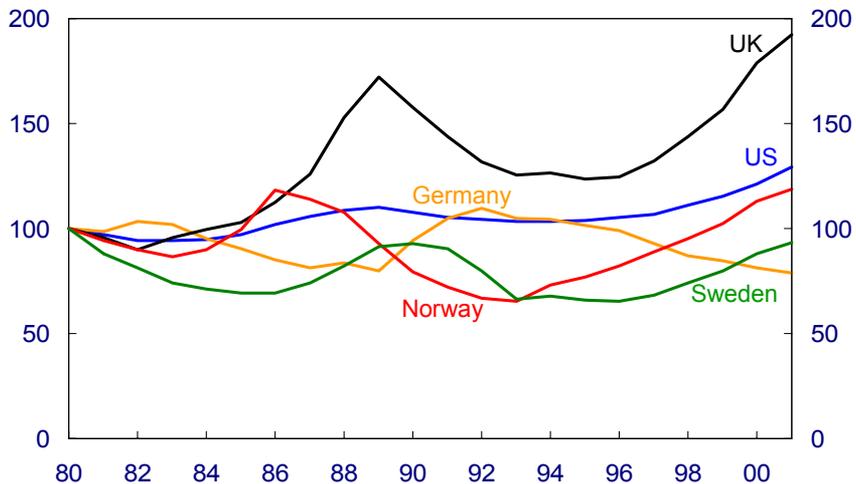
Hovedstyret desember 2002



Source: Statistics Norway

Hovedstyret desember 2002

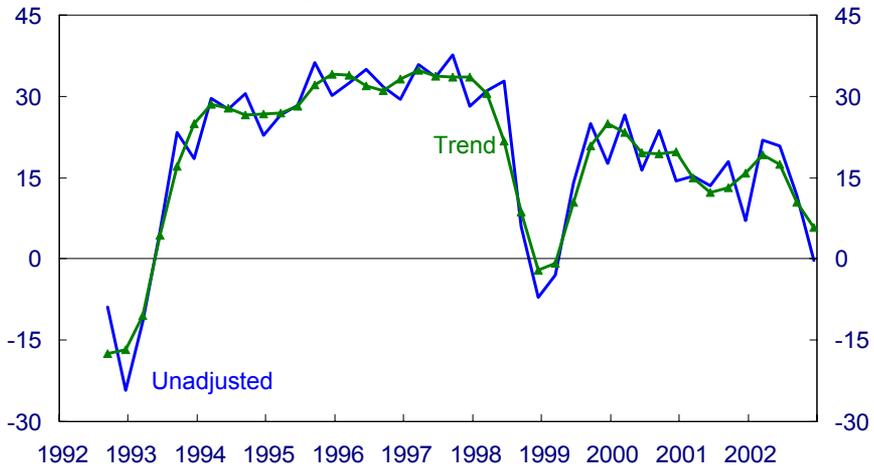
3.5 Real home prices Index. 1980 = 100



Source: BIS

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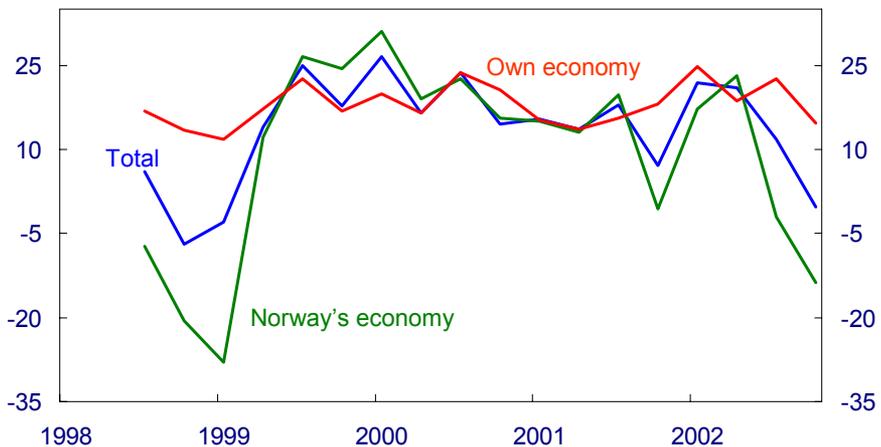
3.6 Consumer confidence indicator Unadjusted and trend (levels)



Source: Norsk Gallup Institutt AS

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3.7 Consumer confidence indicator Figures are not seasonally adjusted



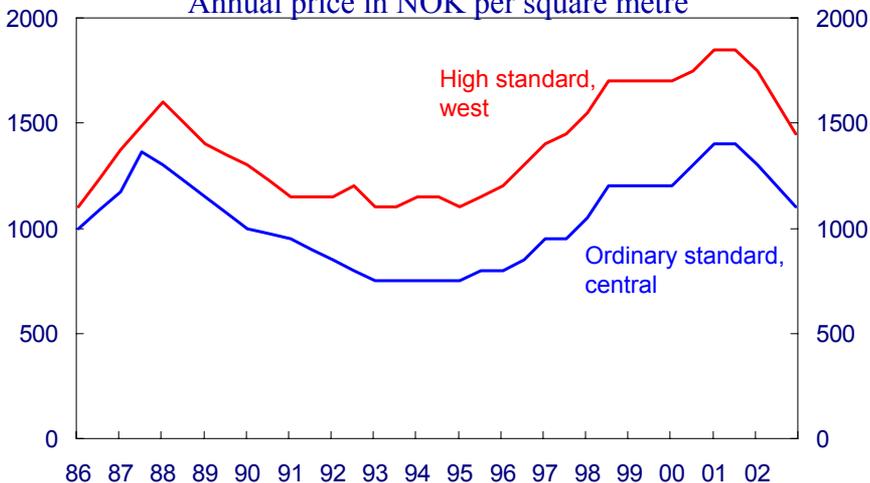
Source: Norsk Gallup Institutt AS

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3.8 Property index

Prices for rental of office premises in the Oslo area.

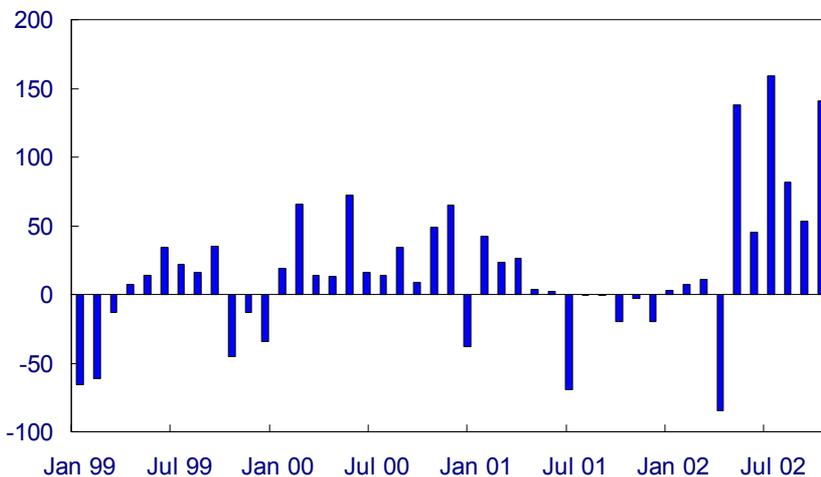
Annual price in NOK per square metre



Sources: Opak Byggebransjens Kompetansesenter, Dagens Næringsliv

3.9 Number of bankruptcy orders made

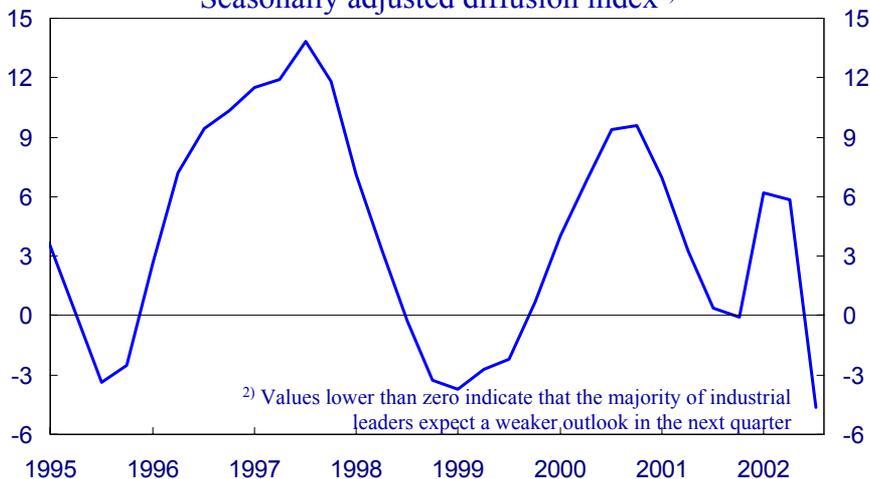
Change on same month previous year



Source: Statistics Norway

3.10 Sentiment indicator for manufacturing industry¹⁾

Seasonally adjusted diffusion index²⁾



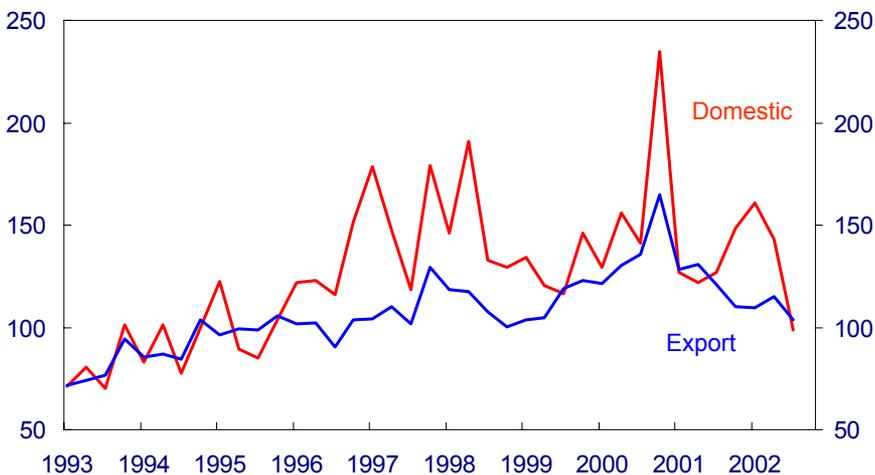
²⁾ Values lower than zero indicate that the majority of industrial leaders expect a weaker outlook in the next quarter

¹⁾ The sentiment indicator for manufacturing is an average of expected changes in production, actual unfilled orders and stocks of own products from Statistics Norway's business tendency survey

Source: Statistics Norway and Norges Bank

3.11 New orders, manufacturing

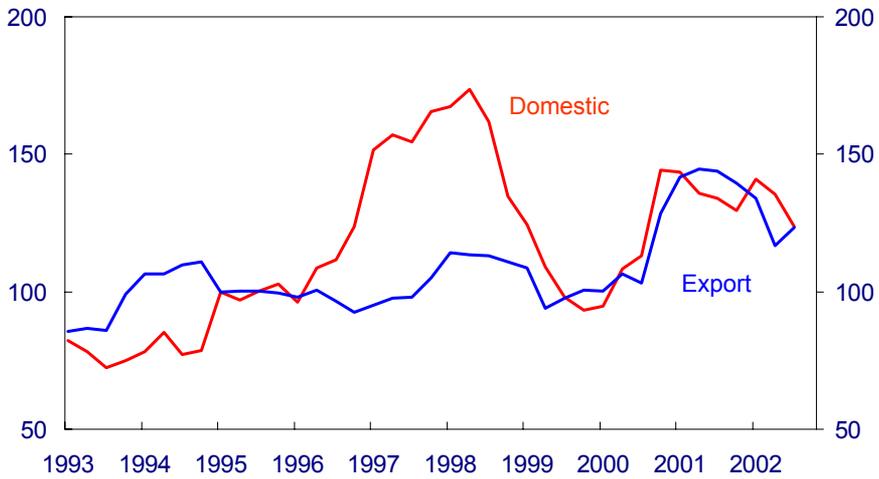
Value indices. 1995=100



Source: Statistics Norway

3.12 New orders, manufacturing

Value indices. 1995=100

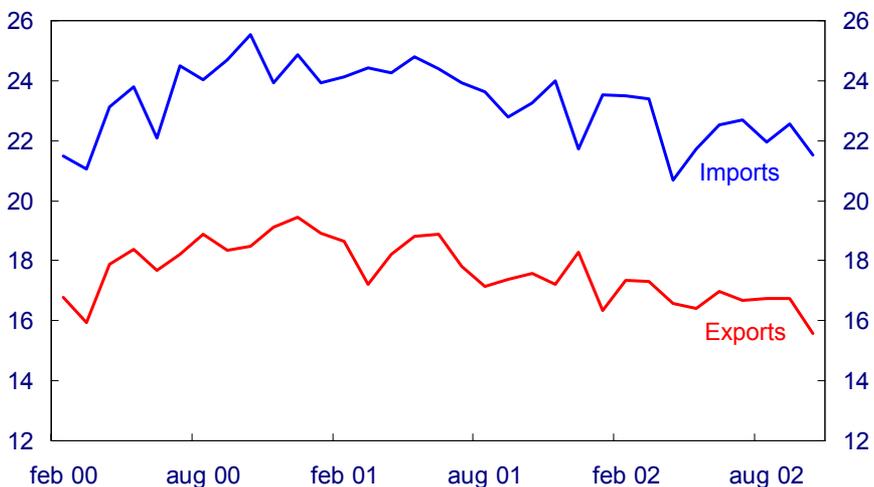


Source: Statistics Norway

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3.13 Traditional merchandise exports and imports

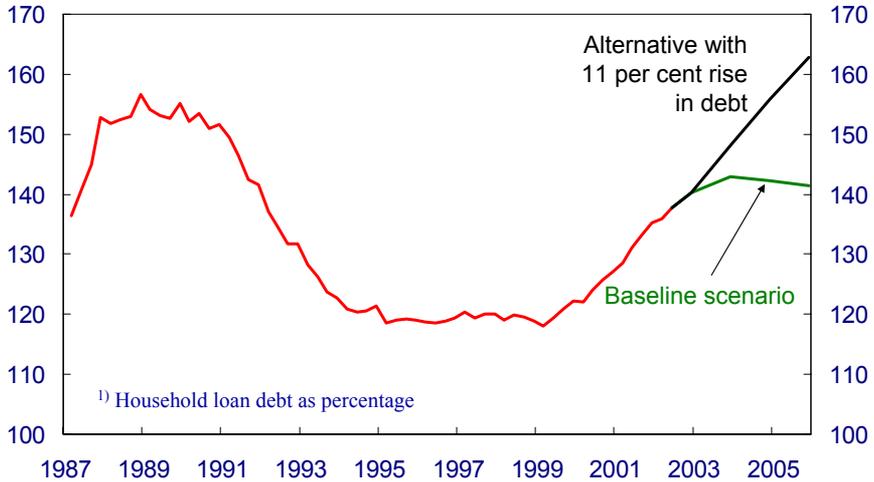
Seasonally adjusted. In millions of NOK



Source: Statistics Norway

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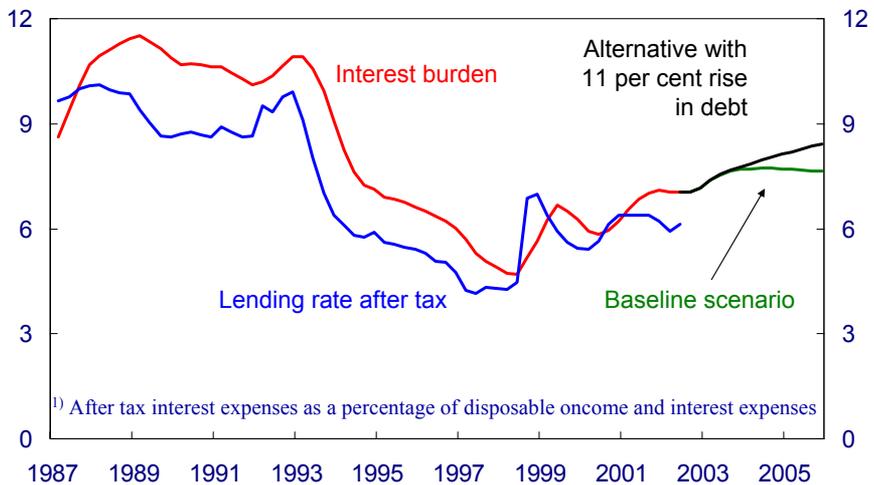
3.14 Household debt burden ¹⁾



Source: Norges Bank

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3.15 Household interest burden¹⁾ and lending rate

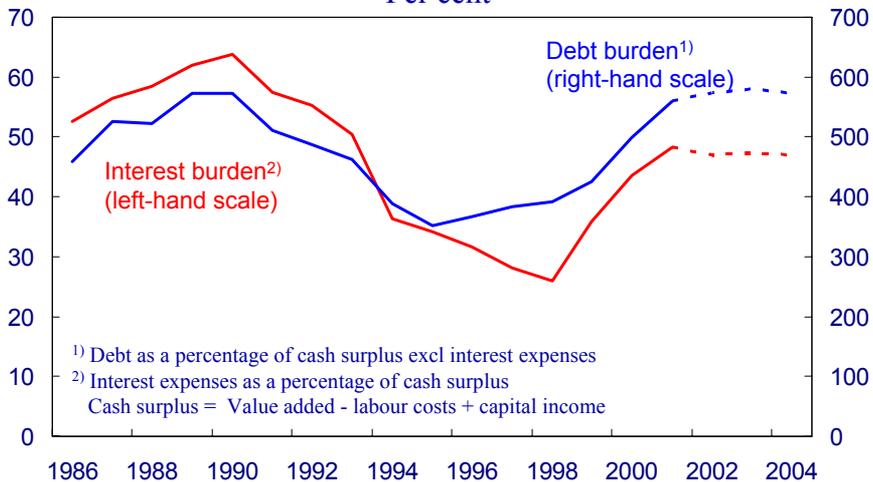


Source: Norges Bank

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3.16 Debt and interest burden in non-financial enterprises excluding petroleum and shipping

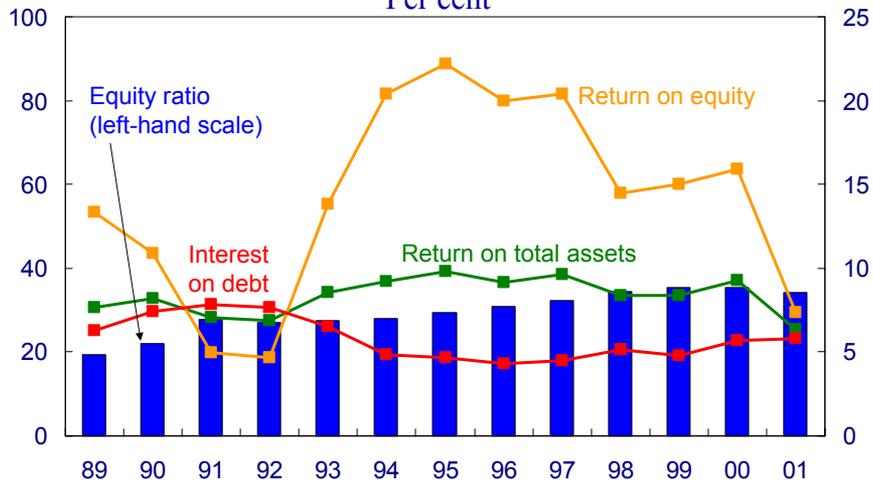
Per cent



Sources: Statistics Norway and Norges Bank

3.17 Companies' return¹⁾ and equity ratio

Per cent

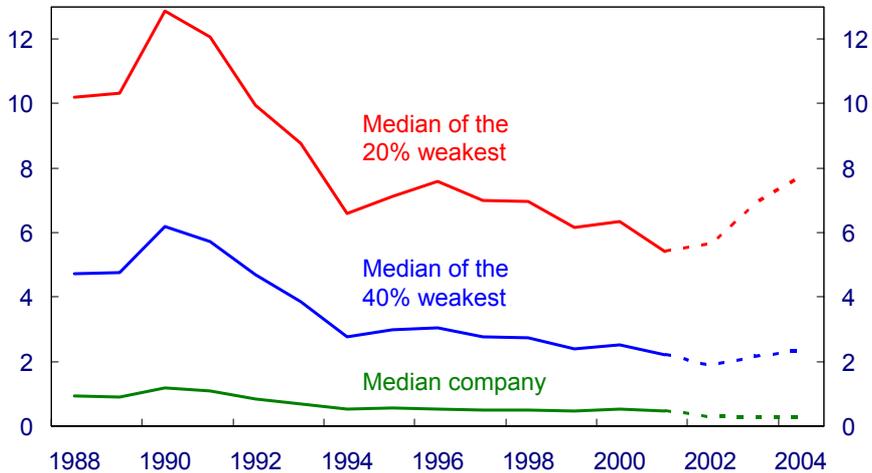


¹⁾ Total pre-tax return as a percentage of average total assets and equity. Limited companies in operation for at least two years, excluding companies in the oil and gas industry, financial industry and public sector

Source: Norges Bank

3.18 Predicted probabilities of bankruptcy¹⁾

Per cent



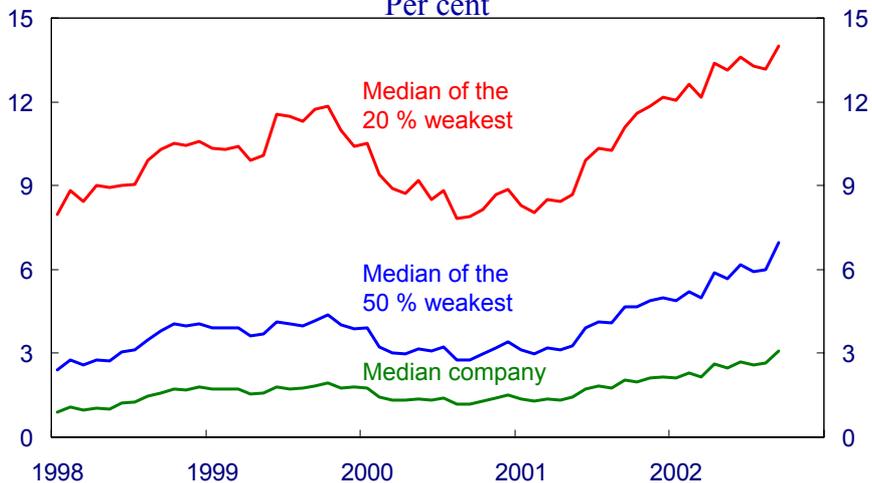
¹⁾ Probability that companies stop submitting their accounts and go bankrupt. Limited companies excl. companies in the oil and gas industry, financial industry and public sector

Source: Norges Bank

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3.19 Probability of bankruptcy for large non-listed companies. KMV model¹⁾

Per cent



¹⁾ Non-financial, non-listed companies with a turnover of more than NOK 70 millions

Source: Moody's KMV

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General government finances

3.20 The budget compromise

- The compromise results in the reallocation of NOK 4.4bn in recorded value. In addition, accrued tax is reduced by NOK 1.9bn

3.21a The budget compromise: Most important changes from original proposal

Direct and indirect taxes:

Increase in minimum deduction from 23 per cent to 24 per cent (NOK 455m).

Increase in depreciation rates for machinery (NOK 1565m).

Inheritance tax - increase in tax-free allowance (NOK 195m).

Reduced tax on spirits (NOK 110m).

Reduction in taxation of shipping companies (NOK 92.8m).

Pensioners etc.:

Increase in basic pension for married and cohabiting pensioners (NOK 950m)

Ceiling on own contribution for medicines not raised (NOK 380m)

Old age and disability pensioners with minimum pension exempted from paying own contribution on reduced rate prescription medicines (NOK 160m).

Source: Ministry of Finance

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3.21b The budget compromise: Most important changes from original proposal (cont.)

Municipalities:

Increased allocations to municipalities (NOK 1000m)

- Including increased focus on day-care centres (NOK 286m) and increased non-taxable income to municipalities (NOK 715m)

Increased borrowing limit (NOK 1000m) for refurbishing schools

Other:

Increase in roads budget (NOK 150m)

Rules for layoffs - employer's payment period not to be extended (NOK 240m)

Reimbursement scheme plus net wages ferry companies not to be abolished (NOK 550m)

Lending limits of Norw. State Housing Bank increased (NOK 500m)

Transfers of capital totalling NOK 0.8bn to Norway Post and Norwegian State Railways

Source: Ministry of Finance

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3.22 The budget compromise

Coverage:

Reduced allocation to the Norwegian Public Service Pension Fund	NOK 2195m
Reduced allocation to "Misc. expenses"	NOK 550m
Misc. Spending cuts/revenue increases	NOK 1655m
<u>Total coverage</u>	<u>NOK 4400m</u>

Source: Ministry of Finance

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3.23 The budget compromise

Fiscal year 2003	Government's proposal	Compromise
Structural non-oil deficit, level	30.7bn	30.7bn
Structural non-oil deficit, real change from 2002 to 2003	2bn	2bn
Real, underlying rise in spending	½ %	½ %
Tax reductions in 2003, accrued value ¹⁾	6.4bn	Approx. 8.9bn
Tax reductions in 2003, recorded value ¹⁾	10.6bn	Approx. 11.6bn
Municipal income, real growth ²⁾	(¾ %)	Not available

1) Some of the tax reductions are associated with changes approved for 2002

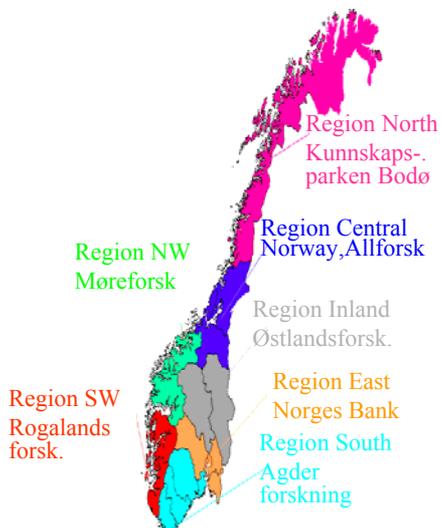
2) The Ministry of Finance has not provided updated estimates because of the downward revision of estimated municipal tax revenues in 2002 by NOK 1bn compared with the estimate in the National Budget. This has resulted in considerable uncertainty concerning tax revenues in 2003. However, as a result of the compromise, municipal revenues will be increased by a nominal NOK 1bn, i.e. approx. ½ % of total municipal sector revenues.

Source: Ministry of Finance

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Regional network

3.24 Regional network (7 regions)



Second round
 (Contact meetings in October and November)
 Contacts – by industry

Primary industries	2
Manufacturing	65
Construction	20
Retail trade	36
Services	73
Public sector	15
Total	211

3.25 Summary

- General decline in production in the export industry.
There are, however, a number of exceptions to this development
- Manufacturing production for the domestic market has come to a standstill
- For retail trade and services, there is growth for activities aimed at the household sector and no growth for activities aimed at the business sector
- Manufacturing employment is falling, while employment in retail trade is rising

3.25 Summary cont.

- Supply qualified labour is better now than at the beginning of the year.
The supply is better than usual for manufacturing, services and the public sector
- Reduction in manufacturing investment. Capacity utilisation is normal in all sectors
- Contacts both this in this round and the last expressed considerable uncertainty about developments next year. This results in investment restraint and strong focus on reducing costs