

Chapter 1

International economy

1.1 Main points from the OECD's Economic Outlook

- A broad-based recovery has taken hold
- Asia, the US and the UK have taken the lead. Continental Europe will follow
- Investment starting to take over as the driving force in the US
- Recovery in Japan is also driven by investment as well as exports (especially) to neighbouring Asian economies.
- Future expectations:
 - Sustained growth in the US and progressive recovery in Japan and Europe
 - Gradual reduction in unemployment
 - Low inflationary pressures and low interest rates for a considerable period

1.2 GDP forecasts

Percentage change on previous year

	2003		2004		2005	
	OECD EO 74	NB IR3/03	OECD EO 74	NB IR3/03	OECD EO 74	NB IR3/03
US	2.9	2 ¼	4.2	3 ½	3.8	3 ¼
Japan	2.7	2 ½	1.8	1 ¼	1.8	1 ¼
Germany	0.0	0	1.4	1 ¼	2.3	2 ¼
France	0.1	¼	1.7	1 ½	2.4	2 ½
UK	1.9	2	2.7	2 ½	2.9	2 ½
Sweden	1.5	1 ½	2.3	2 ½	2.7	2 ½
Euro area ¹⁾	0.5	½	1.8	1 ½	2.5	2 ½

¹⁾ Eurostat weights

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1.3 CPI forecasts

Percentage change on previous year

	2003		2004		2005	
	OECD EO 74	NB IR3/03	OECD EO 74	NB IR3/03	OECD EO 74	NB IR3/03
US	2.3	2 ¼	1.7	2	1.8	2 ½
Japan	-0.2	- ¼	-0.2	- ½	-0.2	- ¼
Germany	0.9	1	0.8	¾	0.7	1 ½
France	2.0	2	1.4	1 ½	0.9	1 ¼
UK	2.8	3	2.6	2 ½	2.7	2 ½
Sweden	2.1	2	1.4	1 ¼	2.2	2
Euro area ¹⁾	2.0	2	1.5	1 ½	1.4	1 ¼

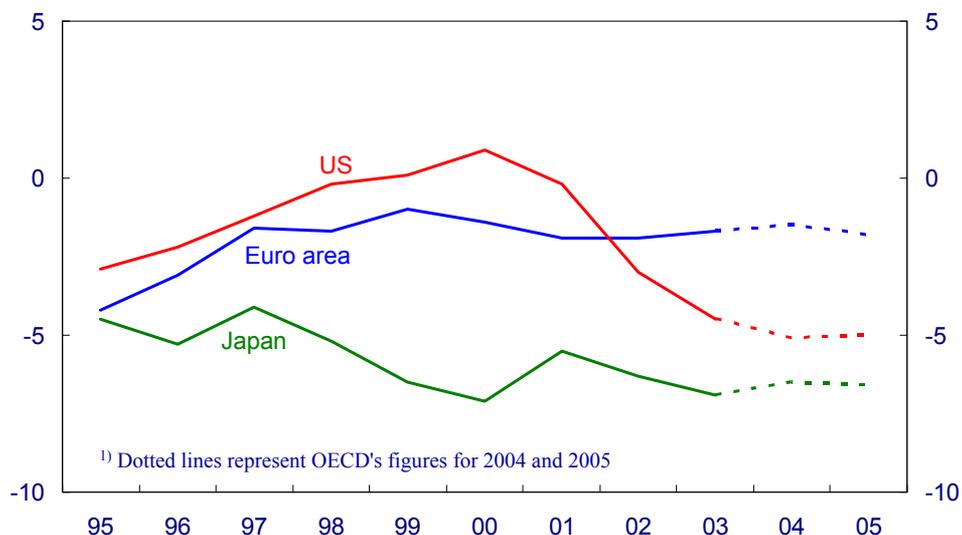
¹⁾ Eurostat weights (country's share of euro area consumption)

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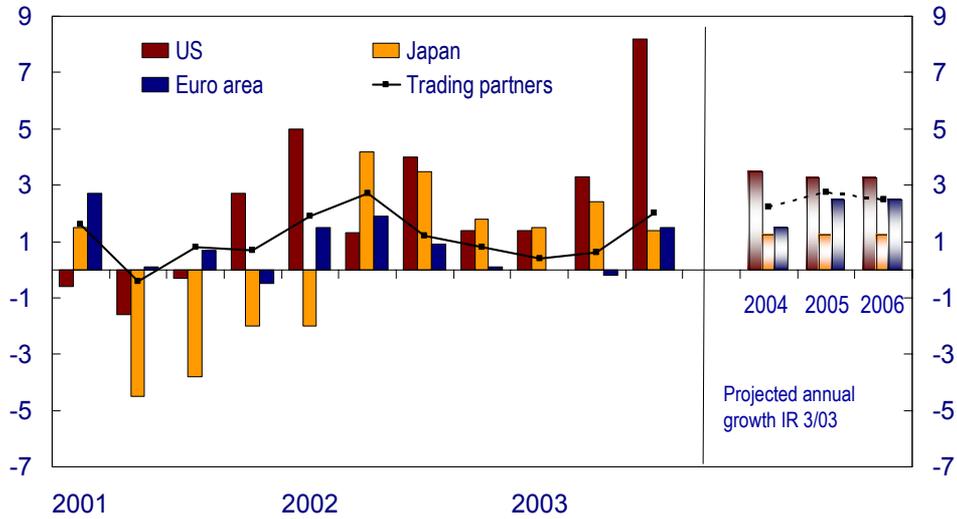
1.4 Risk elements in Economic Outlook

- Weak balance sheets still prevalent in the business sector in Europe
- Households are highly indebted and house prices are high, (UK, USA, Australia etc.) making households vulnerable.
- Increase in interest rates as a result of wide public deficits
- Imbalances and risk of a sudden weakening of the US dollar
- Greatest concern in the longer term:
 - Public deficits and the lack of long-term fiscal frameworks
- Another major challenge:
 - Continued structural improvements

1.5 Structural surplus or deficit¹⁾ in government budgets As a percentage of nominal GDP. Annual figures.

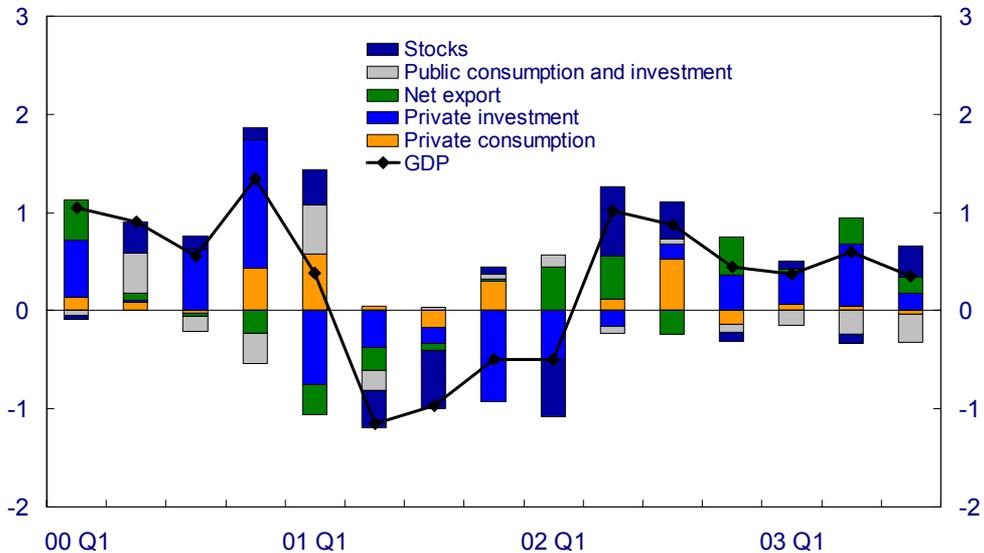


1.6 GDP growth in the US, Japan, the euro area and among Norway's trading partners combined. Seasonally adjusted annual rate and projected annual growth. Per cent



Executive Board December 2003 Sources: EcoWin/ US Department of Commerce, ESRI (JP) EURO-OP Eurostat and Norges Bank

1.7 Quarterly change in GDP in Japan Contribution to growth in volume. Per cent

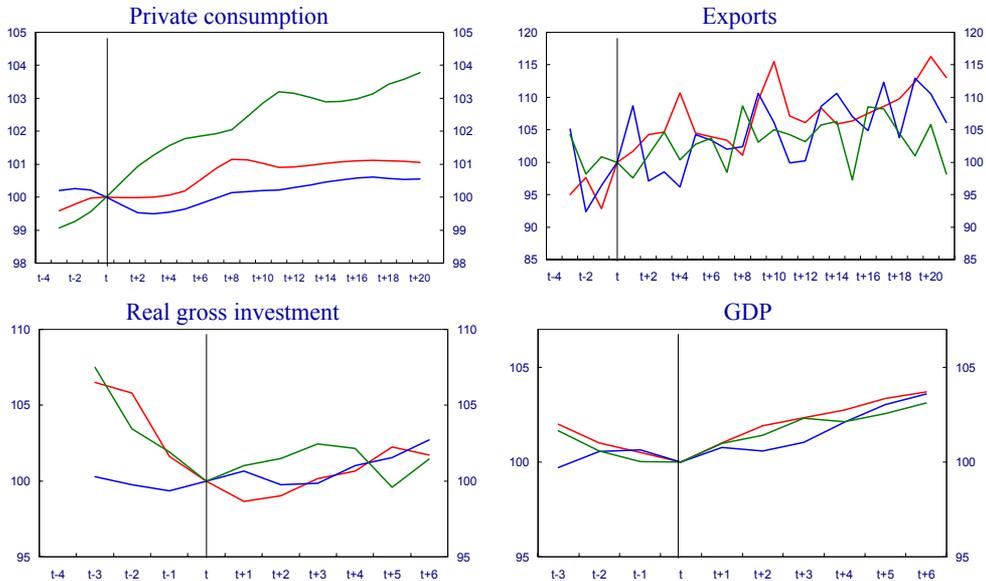


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Sources: EcoWin/Cabinet Office

1.8 Japan. Developments around the last three upturns

Indexed. Time of the trough (t) = 100. Green, blue and red curves have a trough in 1993 Q4, 1999 Q1 and 2002 Q1.

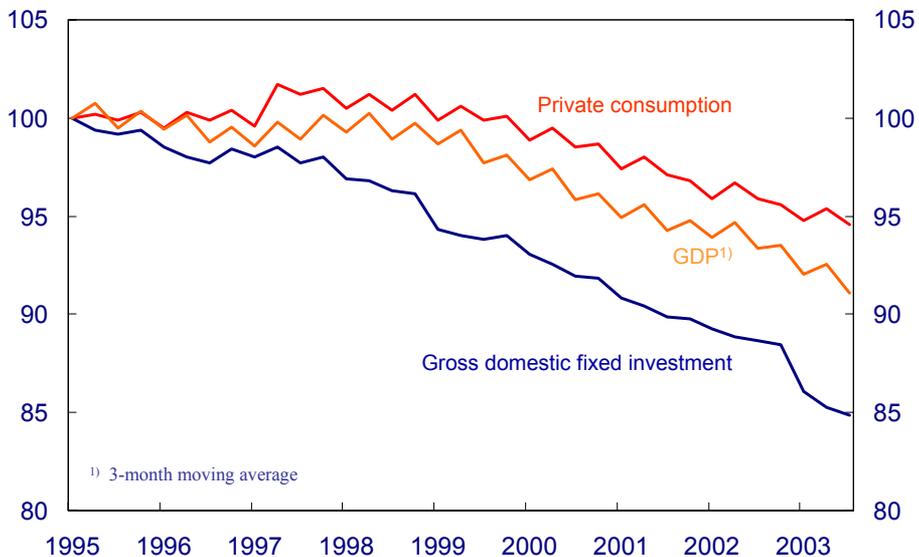


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Source: EcoWin

1.9 Deflators, Japan

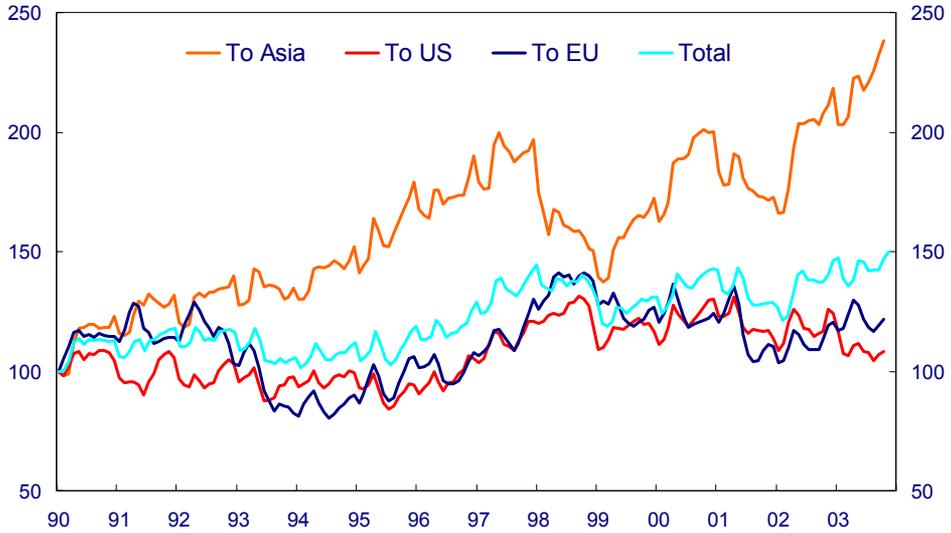
Indexed. 1995 Q1 = 100



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Sources: EcoWin/National statistics

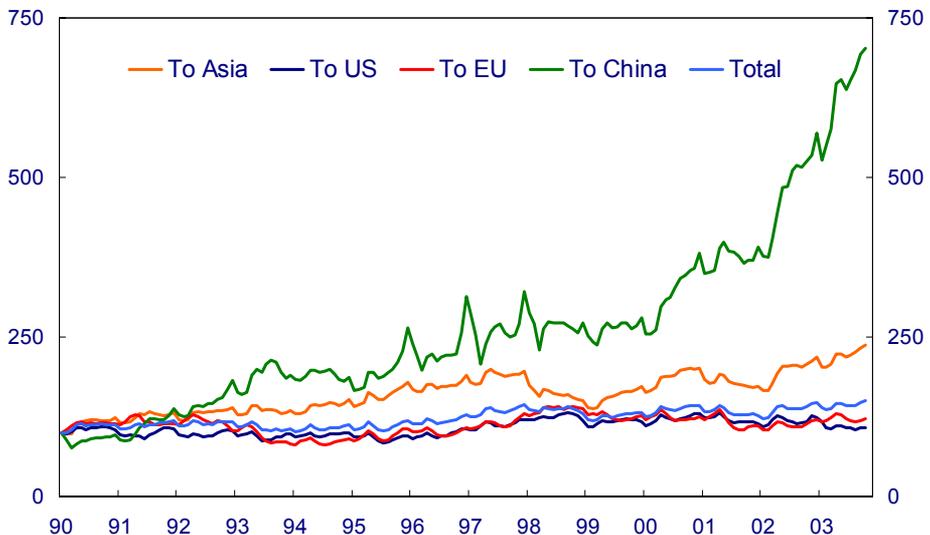
1.10 Japan's exports 3-month moving average. Indexed. January 1990 = 100



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Sources: EcoWin/National statistics

1.11 Japan's exports 3-month moving average. Indexed. January 1990 = 100



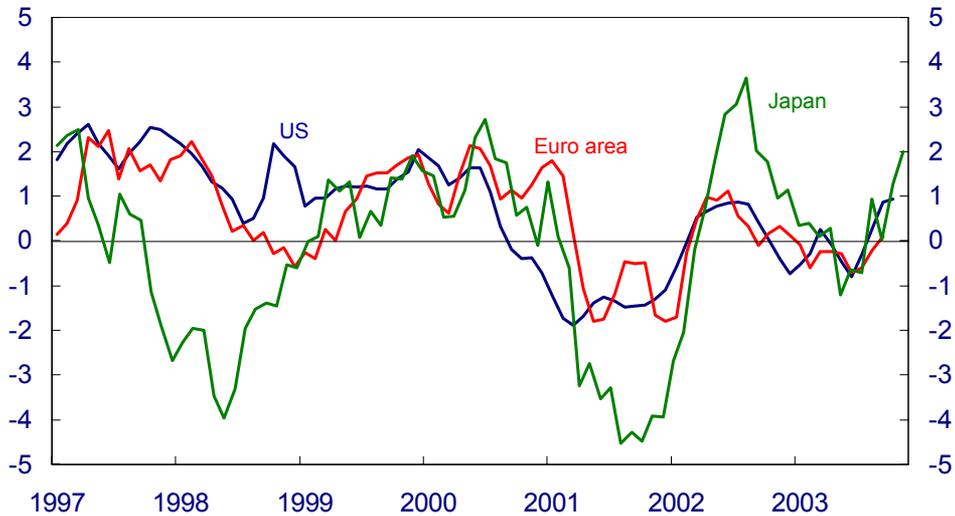
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Sources: EcoWin/National statistics

1.12 Industrial output in the US, Japan and the euro area

Percentage change on 3 months earlier.

3-month moving average. Seasonally adjusted. Volume



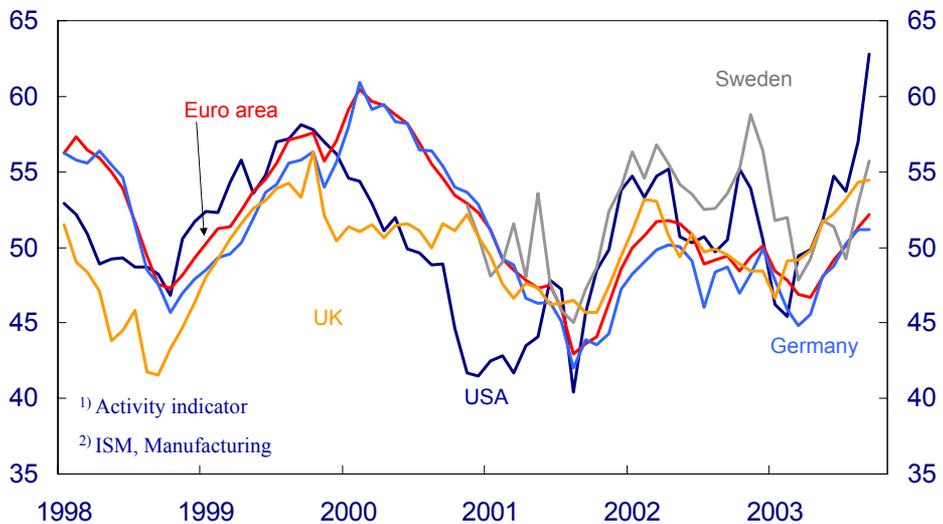
Sources: EcoWin/Federal Reserve Board, Ministry of Economy, Trade and Industry and EUR-OP/EUROSTAT

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1.13 PMI¹⁾ manufacturing for the US²⁾, the euro area,

Germany, Sweden and the UK

Seasonally adjusted. Monthly figures



¹⁾ Activity indicator

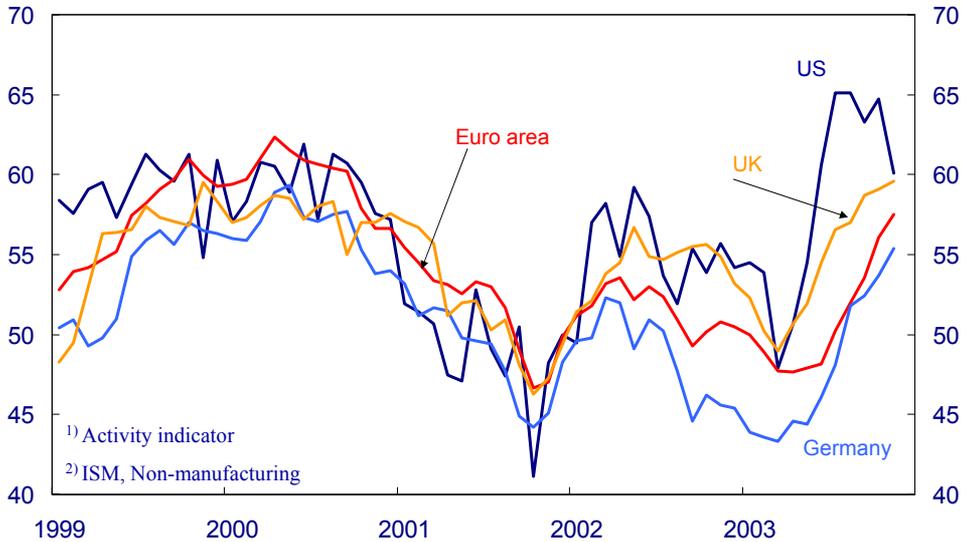
²⁾ ISM, Manufacturing

Sources: EcoWin/Institute for Supply Management, NTC Research Ltd. and Swedbank/I&L

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1.14 PMI¹⁾ services for the US²⁾, the euro area, Germany and the UK

Seasonally adjusted. Monthly figures

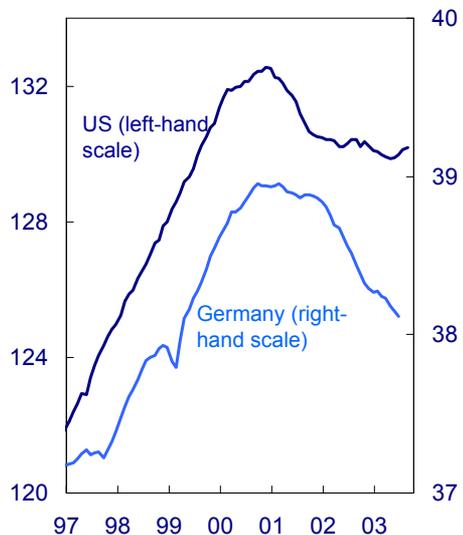
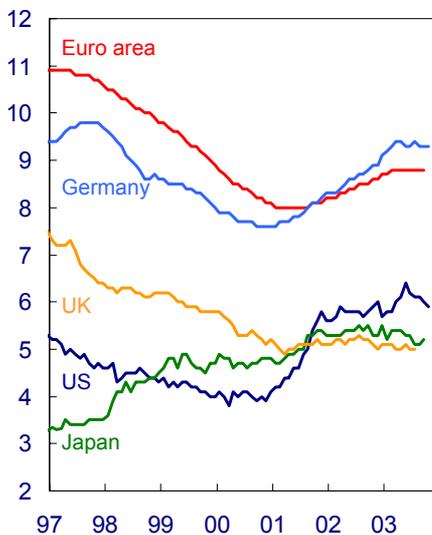


1.15 Unemployment and employment

Seasonally adjusted

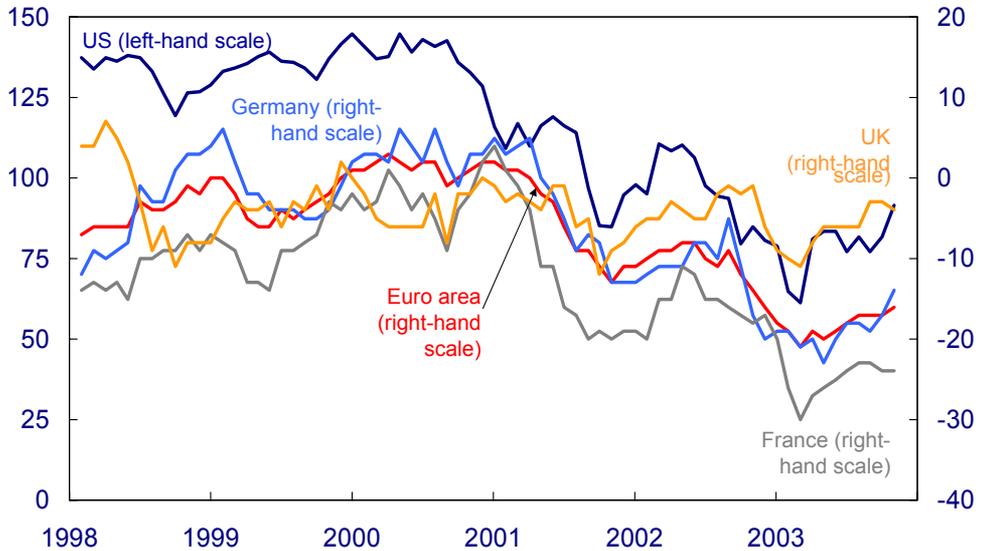
a. Unemployment as a share of the labour force

b. Employment in millions



1.16 Consumer confidence indicators in the US, Germany, France, the euro area and the UK

Seasonally adjusted diffusion index. Monthly figures

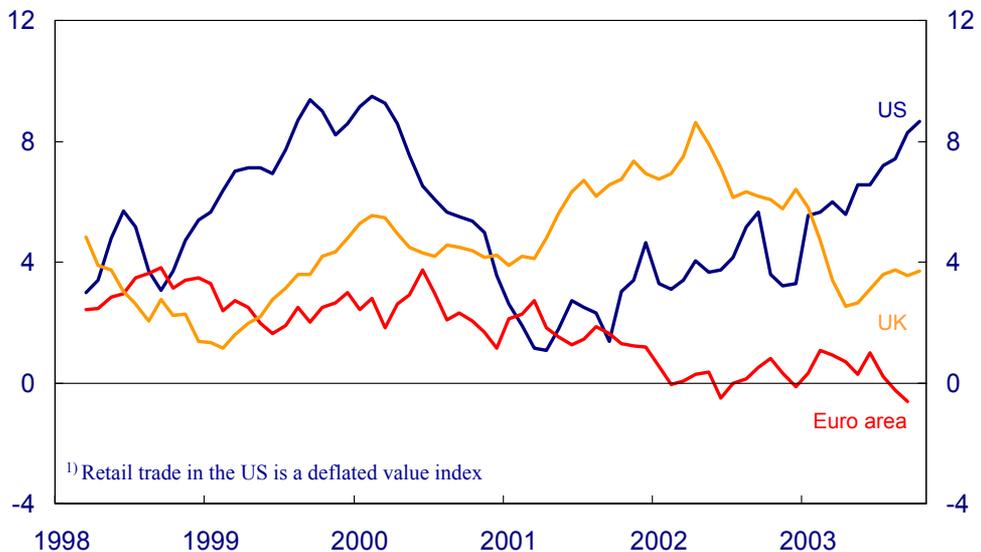


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Sources: EcoWin/EU Commission and the Conference Board

1.17a Retail trade in the US¹⁾, the euro area and the UK

Percentage change on same month previous year. 3-month moving average. Seasonally adjusted. Volume



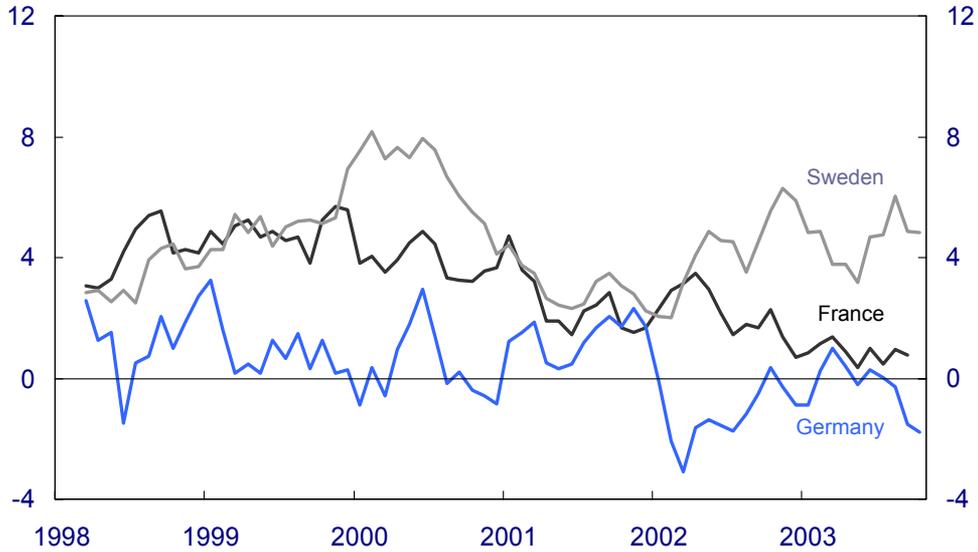
¹⁾ Retail trade in the US is a deflated value index

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Sources: EcoWin/US Dept. of Commerce, Deutsche Bundesbank, Office for National Statistics and the ECB

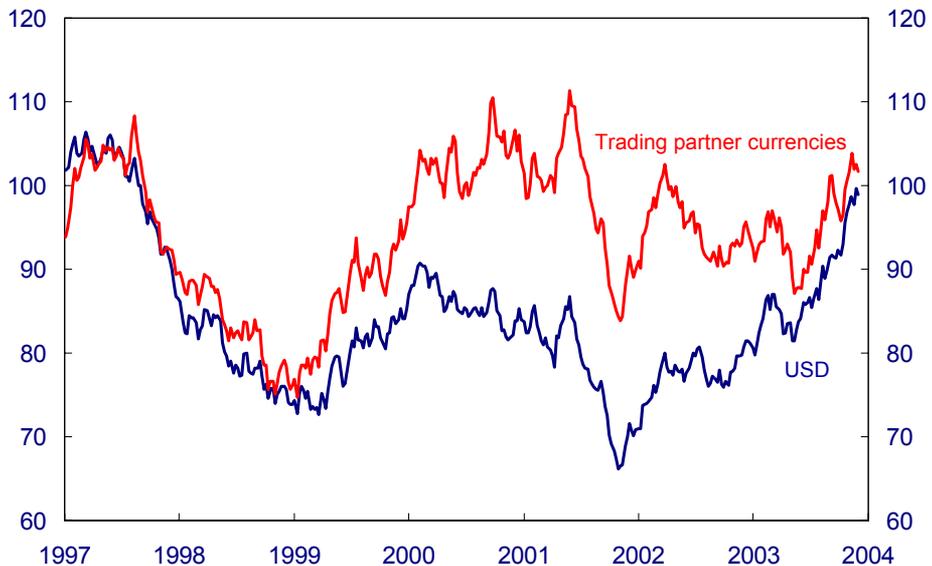
1.17b Retail trade in Germany, France and Sweden

Percentage change on same month previous year. 3-month moving average.
Seasonally adjusted. Volume



Executive Board December 2003 Sources: EcoWin/US Dept. of Commerce, Deutsche Bundesbank, Office for National Statistics and the ECB

1.18 International commodity prices

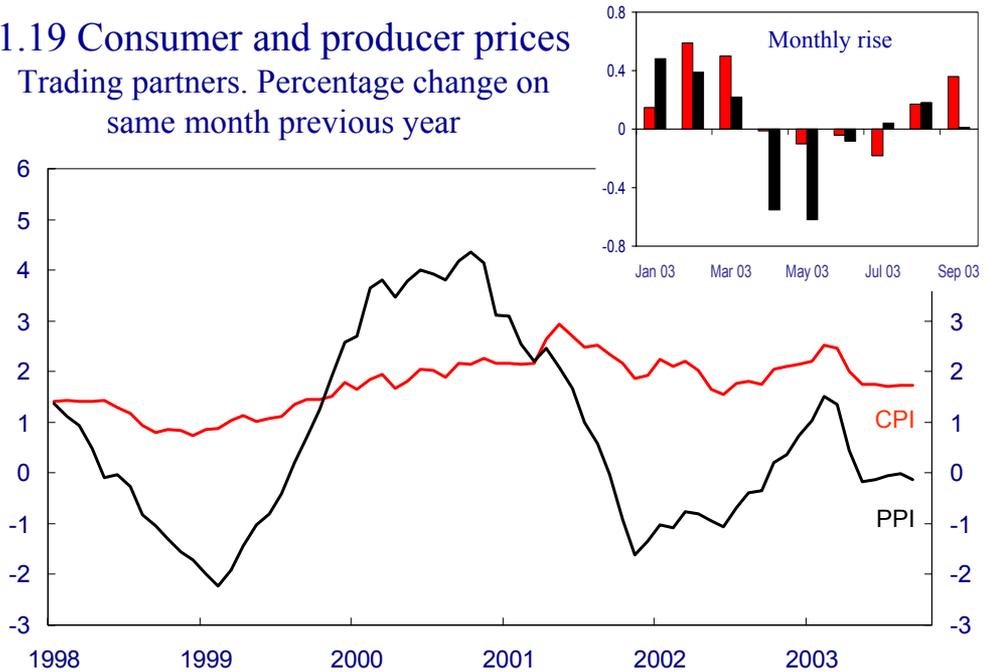


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Sources: EcoWin, Norges Bank and The Economist

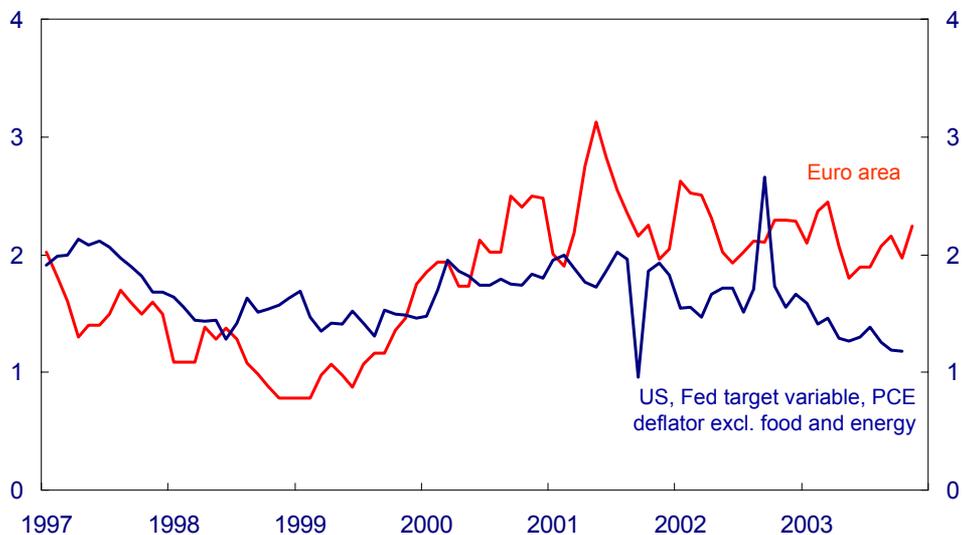
1.19 Consumer and producer prices

Trading partners. Percentage change on same month previous year

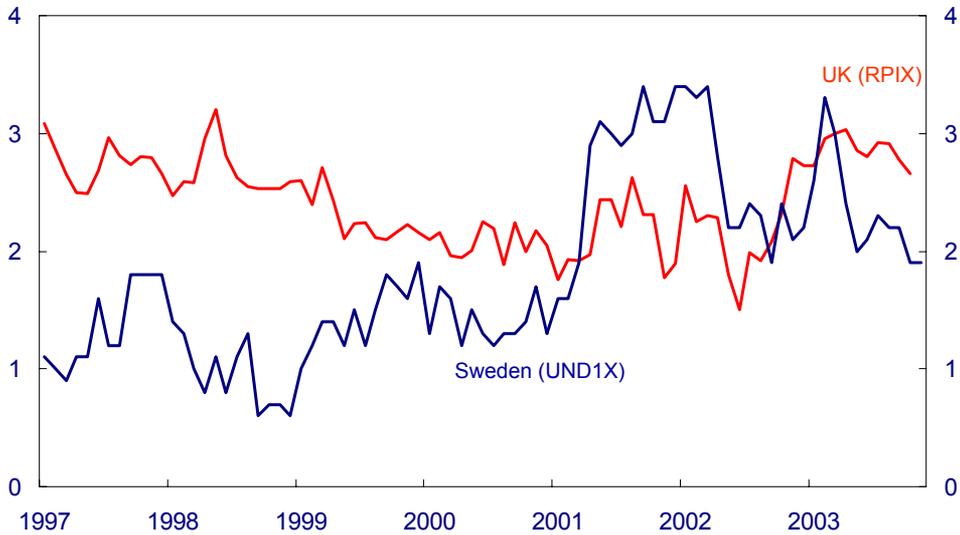


1.20 Consumer prices in the US and the euro area

Percentage change on same month previous year



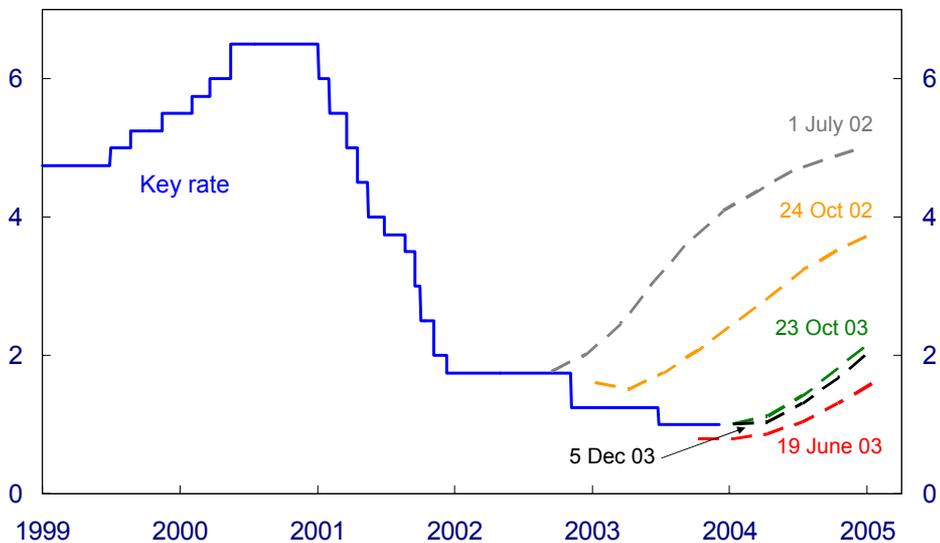
1.21 Consumer prices in the UK and Sweden Percentage change on same month previous year



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Sources: Bureau of Labor Statistics, Eurostat and Office for National Statistics

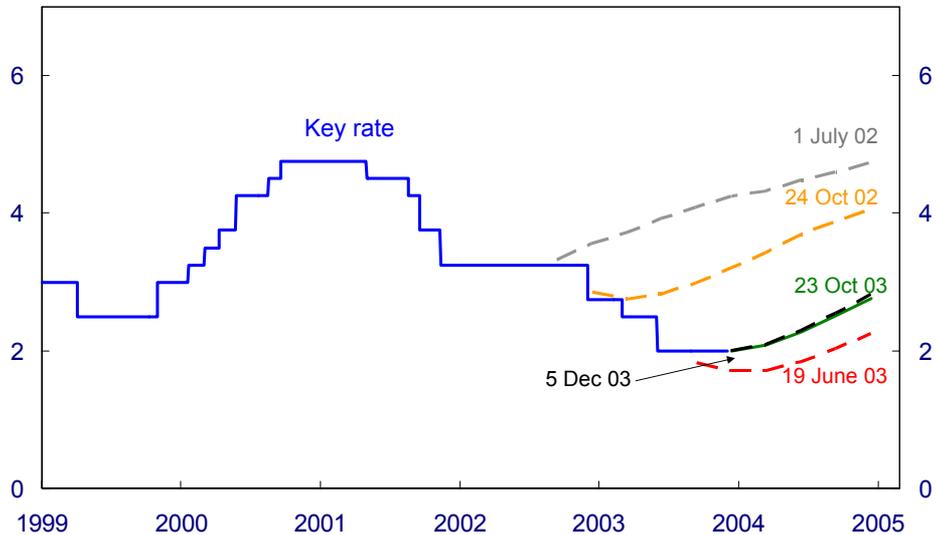
1.22 Interest rate expectations in the US Actual developments and expected key rate



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Source: Norges Bank

1.23 Interest rate expectations in the euro area Actual developments and expected key rate



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Source: Norges Bank

1.24 Key rates and expected change in selected countries

	Key rate	Change since 01.01.03	Change since Executive Board meeting 13.08.03	Expected level in 3 mo (March 2004)	Expected level in 12 mo ¹⁾ (Dec. 2004)
US	1.00	-0.25	None	1	2 ¼
Japan	Approaching 0	0	None	0	0
Euro area	2.00	-0.75	None	2	2 ¾
UK	3.75	-0.25	+0.25	4 ¼	4 ¾
Sweden	2.75	-1.00	None	2 ¾	3 ½
Denmark	2.00	-0.75	None	2	2 ¾
Switzerland	0.00-0.75	-0.50	None	n.a.	n.a.
Iceland	5.30	-0.50	None	n.a.	n.a.
Canada	2.75	0	None	2 ½	3
Australia	5.25	+0.50	+0.5	5 ½	5 ¾
New Zealand	5.00	-0.75	None	5 ½	6

¹⁾ Not adjusted for any maturity premium

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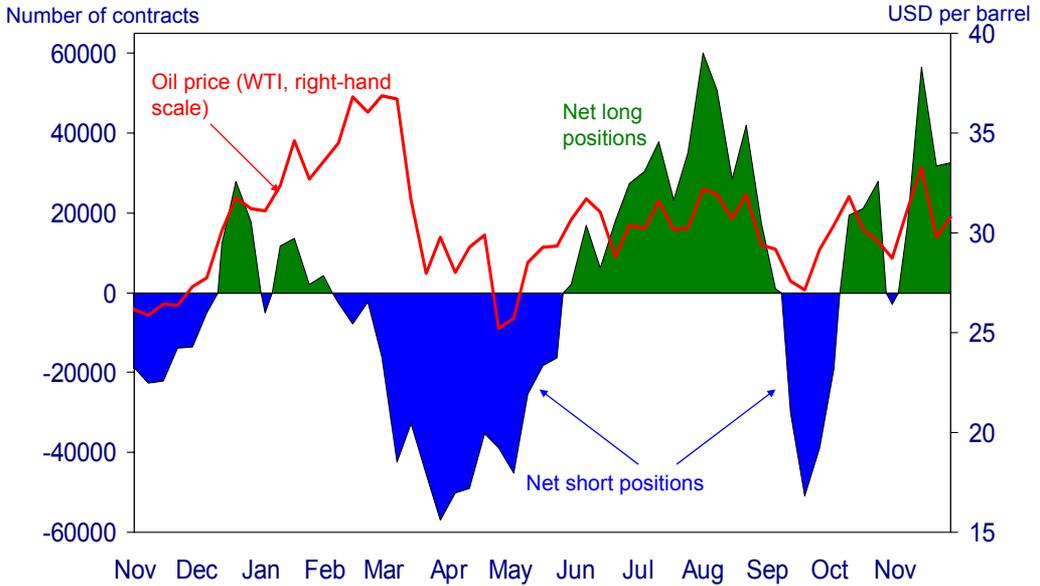
Sources: Reuters, Bloomberg and Norges Bank

Oil

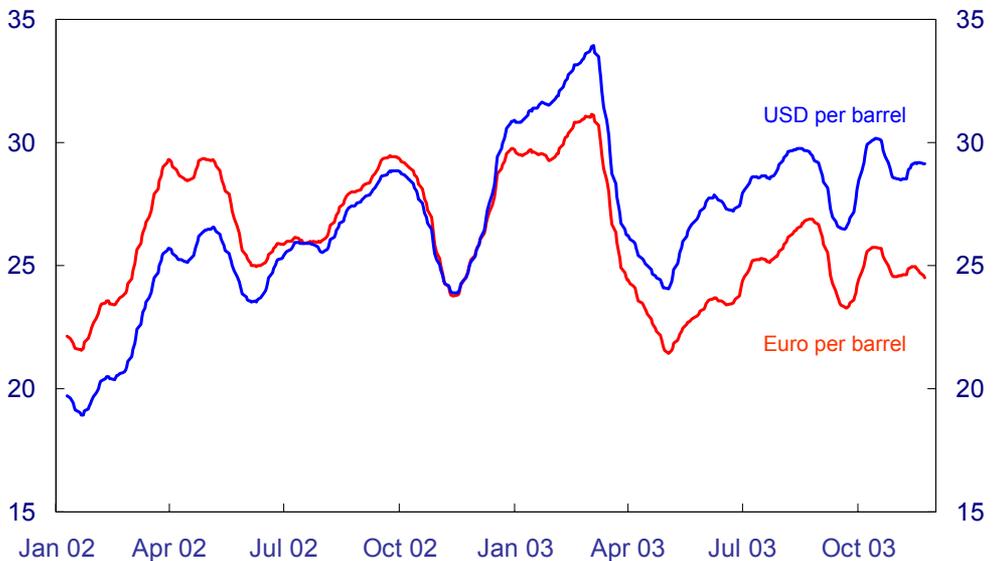
1.25 OPEC's reference price with price band USD per barrel. Daily figures



1.26 Non-commercial operators' net positions in the WTI futures market since November 2002



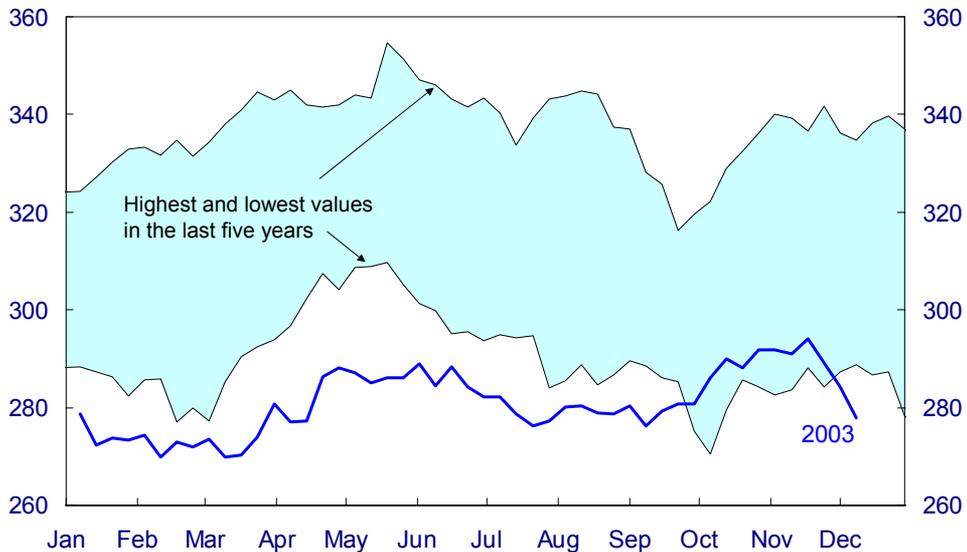
1.27 Oil price in USD and euros per barrel 14-day moving average



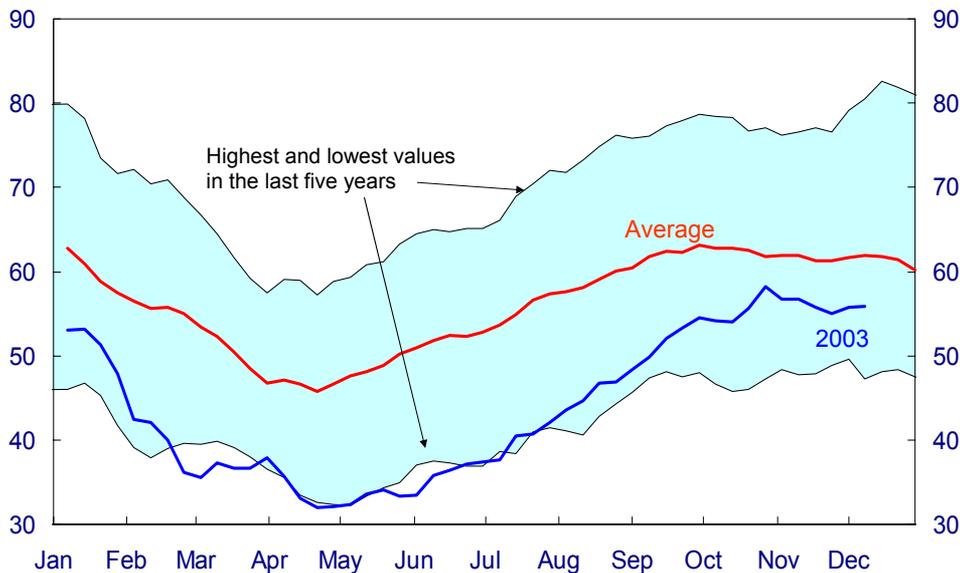
1.28 Oil price Brent Blend USD per barrel. Daily figures



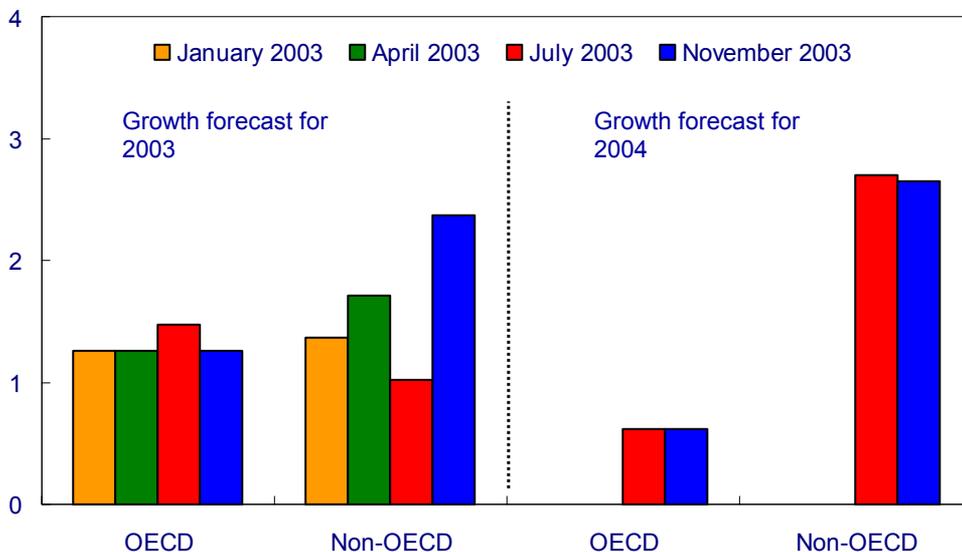
1.29 Stocks of crude oil in the US In million barrels. Weekly figures



1.30 Stocks of heating oil in the US In million barrels. Weekly figures

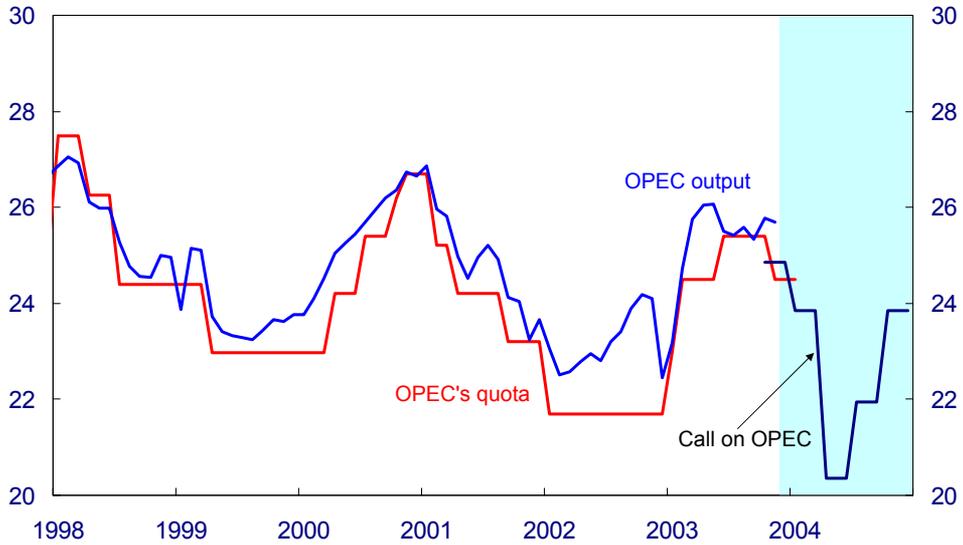


1.31 Projected growth in demand at various times. OECD and non-OECD countries. Percentage growth on previous year



1.32 OPEC -10 output and quotas

In million barrels per day



1.33 Oil production in Iraq, with forecast

In million barrels per day. Monthly figures



1.34 Futures prices from 15 August and 4 December 2003

Same spot price both days: USD 29.27 per barrel

