

## Norway's unemployment rate on the ebb again

The Norwegian unemployment rate has been low compared to other Scandinavian and European countries, in particular since the mid-1990s. After the oil-price crash in 2013, the petroleum related industries experienced a huge reduction in demand for their products and services, which soon transmitted to the labour market. Both the registered unemployment rate and the labour force survey rate increased in 2014 and 2015. The survey rate increased also through the whole of 2016. There was a reduction in the registered rate late in 2016, which however was influenced by the increased number of workers enrolled on labour market programs.

Modern economies seem to depend on broad based growth in GDP to stabilize unemployment rates, and strong growth to bring them down from high levels. An earlier post on [Normetrics](#) discussed the prospects of stronger growth in Mainland Norway GDP in 2017 and the following years with the aid of forecasts from the econometric model [NAM](#) (Norwegian Aggregate Model). New statistics released by NAV (Norwegian Labour and Welfare Administration) shows that there were 70 900 unemployed persons registered in May, a clear reduction from May 2016.

The new NAM forecast, based on the same information input as the posting about [announced upturn](#), also shows a market drop in the unemployment rate in the 2017q2 (see Figure 1). The forecasted number is 2.7 percent. In April, the unemployment rate was 2.9 percent, and the number for May was 2.6 percent.

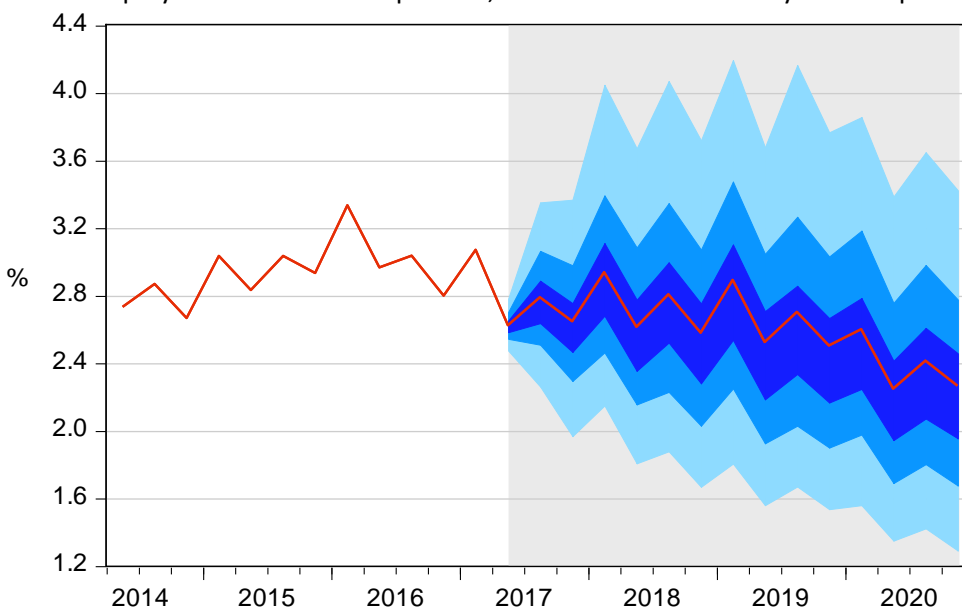
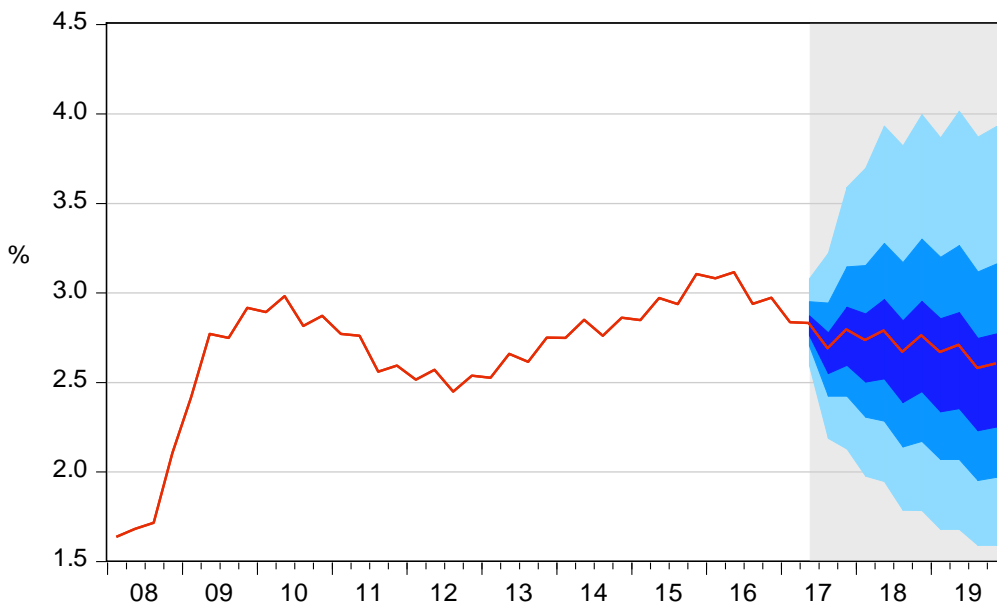


Figure 1: Unemployed persons registered at NAV, in percent of the labour force. The red graph shows actual numbers until 2017q1, and NAM forecasts for the period 2017q2-2020q4. The blue fans correspond to 90-, 60- and 30-percent forecast confidence intervals.

As mentioned above, the registered unemployment rate is negatively correlated with the size of labour market programs, in particular in the short-run. In May 2017, there were more people on labour market programs than one year ago. However, the increase in labour market programs is not large enough to change the impression that the overall unemployment rate is on the decline.

However, according to the NAM simulations (forecasts) the decline is more like a slow ebb. The rate of unemployment may now be at a level comparable to 2014, but it is still a way to go before the lows of the pre “oil-crises” years are reached. This is illustrated by Figure 2, which shows seasonally adjusted numbers, and the history back to 2008.



Figur 2: Unemployed persons registered at NAV, in percent of the labour force. The red graph shows actual numbers until 2017q1, and NAM forecasts for the period 2017q2-2020q4. The blue fans corresponds to 90-, 60- and 30-percent forecast confidence intervals. Seasonally adjusted numbers.

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