

## NAM and institution forecasts, summer 2020.

In June, the two leading forecasting institutions, Statistics Norway (SSB) and Norges Bank (NB) published new forecasts for the macro economy. Compared to forecasts produced during the spring, both institutions had moderated their expectations about the reductions of real Mainland Norway GDP in 2020. The predicted contraction of -3,7 percent in 2020 is nevertheless severe. At the start of the so called Banking crisis, real Mainland-Norway GDP fell by -1.2 percent in 1988, for example. However, during that crisis, there was a fall also in 1989, by -1.5 percent, while SSB and NB in June forecasted brisk positive growth rates in 2021, by 4.3 % and 3.7 % respectively.

Hence, while Mainland Norway GDP is reduced in the short term, both institutions expect 2021 Mainland Norway GDP to be a little above the 2019 level in 2021. The number of person employed is also expected to get back to positive growth in 2021.

*Table 1 NAM and institutional forecasts for main indicators of the Norwegian macro economy. Unemployment and the savings rate are annual levels in percent, all other forecasts are annual growth rates in percent. Statistics Norway (SSB) forecasts were published on 5 June 2020, and Norges Bank (NB) forecasts on 18 June 2020.*

	2020			2021			2022		
	NAM	SSB	NB	NAM	SSB	NB	NAM	SSB	NB
<b>GDP</b>	-3.1	-2.9	-1.7	3.0	4.3	3.8	4.3	3.6	2.8
<b>Mainland Norway</b>	-3.0	-3.9	-3.5	3.2	4.3	3.7	4.4	3.2	2.5
<b>Manufacturing</b>	-4.9	-4.2		3.6	3.2		2.9	4.1	
<b>Employed persons</b>	-1.5	-1.5	-1.8	-1.8	0.8	0.1	1.41	1.4	1.9
<b>Unemployment</b>									
<b>NAV</b>	5.3		5.0	4.5		3.2	3.2		2.8
<b>LFS</b>	4.3	5.1		4.9	4.5		5.0	4.3	
<b>Private consumption</b>	-4.1	-6.0	-5.2	3.0	6.6	6.3	3.9	4.4	4.3
<b>Private business inv.</b>	-13.5	-16.3	-14.3	0.5	3.3	-3.9	12.1	1.7	6.0
<b>Residential inv.</b>	-7.9	-9.7	-9.4	6.5	-1.4	2.2	9.3	3.0	4.8
<b>Exports (trad./non oil)</b>	-7.2	-5.8	-9.1	5.6	2.1	4.6	5.0	4.5	6.5
<b>Imports</b>	-8.4	-10.7	-9.1	3.2	2.8	5.5	4.4	3.6	6.3
<b>Housing prices</b>	2.3	-1.0	2.7	1.1	1.0	4.0	1.3	3.6	2.9
<b>Credit to households</b>	4.7		4.0	4.7		4.3	4.6		4.2
<b>Policy interest rate</b>	0.4		0.4	0		0	0.1		0.1
<b>Exchange rate (I-44)</b>	11.8	7.8	7.9		-0.2	-1.0		0.0	-0.5
<b>CPI</b>	1.5	1.2	1.6	3.0	3.2	3.3	3.0	1.9	2.0
<b>CPI-AET</b>	2.9	2.6	3.0	2.8	2.2	2.8	2.6	1.9	1.8
<b>Annual wage</b>	1.6	2.2	1.9	2.4	2.0	2.0	2.7	3.5	2.3
<b>Household real income</b>	0	0.3	0.0	1.4	1.1	2.0	0.9	2.0	2.6
<b>Savings rate</b>	12	12.5	11.1	10	7.4	7.4	7	5.5	5.9

These forecasts are summarized in Table 1, together with forecast from Norwegian Aggregate Model (NAM). A main difference between the NAM forecast and the two institutional forecasts is that the NAM forecast for employment in 2021 is bleaker than in the two institutional forecasts.

However, if the predicted upturn in 2021 is a little weaker than the latest forecast from Statistics Norway and Norges Bank, it may appear optimistic compared to the recessions that have taken place over the last four decades.

As shown in the figure, troughs in employment growth were deeper, and lasted longer, than GDP troughs during the Norwegian banking crisis and during the international financial crisis. The NAM projections for 2020-2023 are consistent with those historical observations, while the institutional forecasts are more optimistic in this regard.

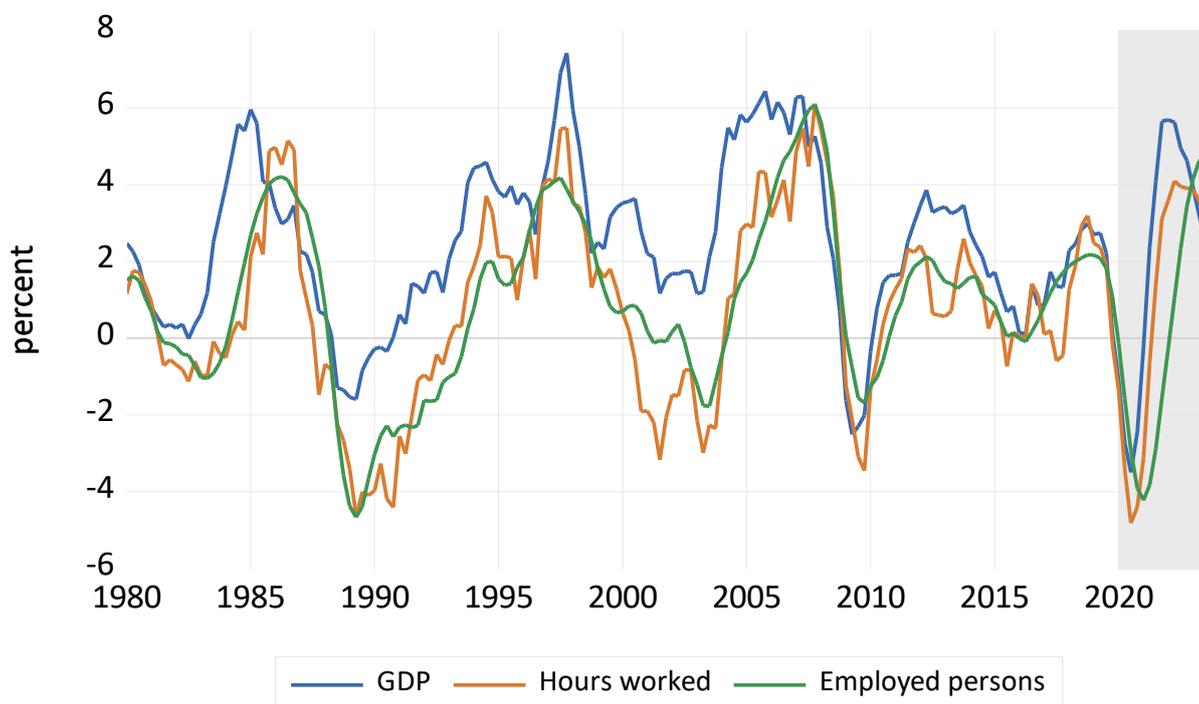


Figure 1 Smoothed annual growth rates for GDP, hours worked and employment in private business sector Mainland Norway