

Norway: High growth – low volatility

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The most important drivers to achieve financial targets

1

A solid Norwegian economy

2

Prudent growth in quality earnings

3

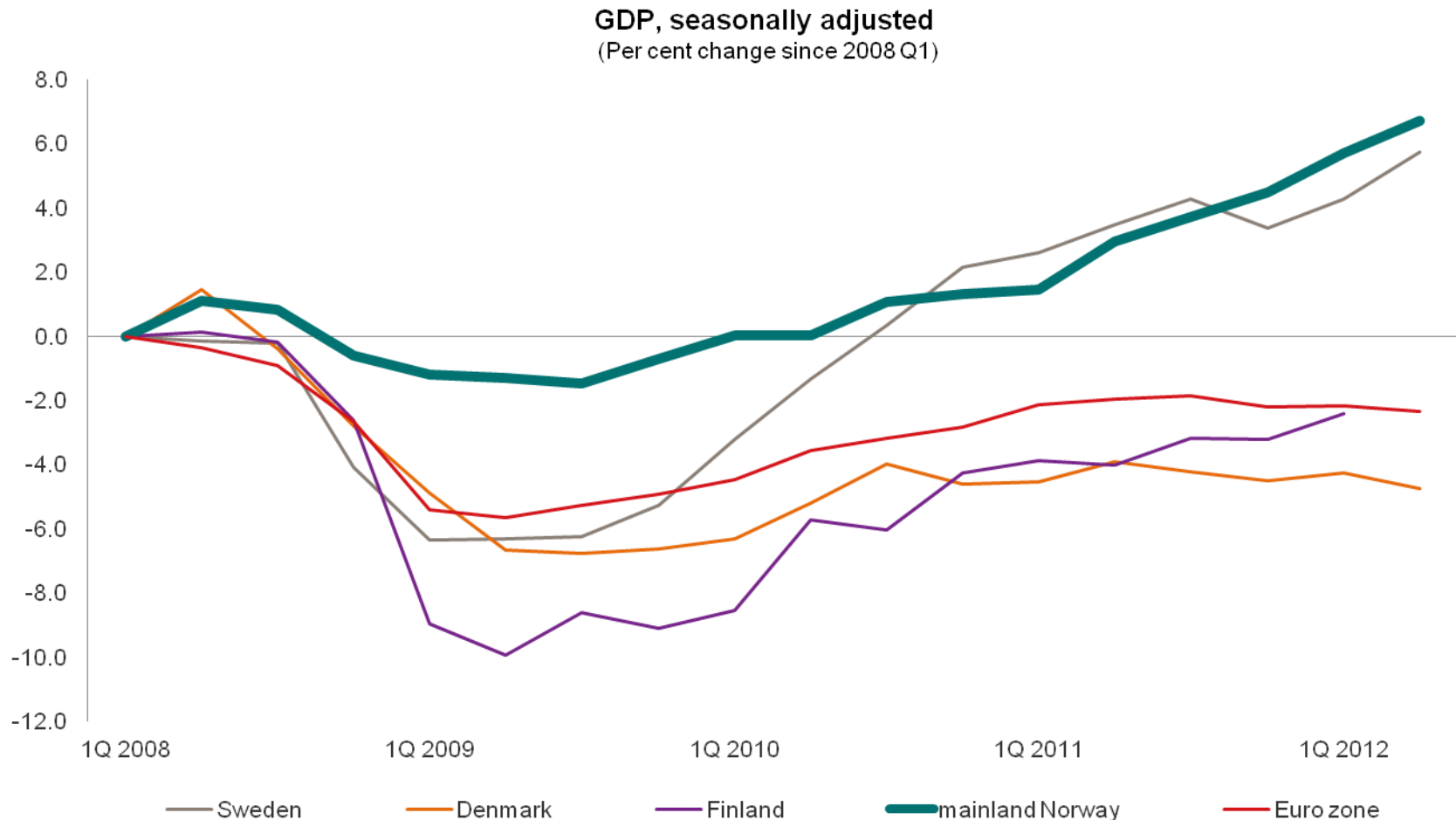
Rebalancing our portfolio

4

Capital efficiency and cost control

Norwegian economy hit mildly by the financial crisis

- Impetus from oil activity, fiscal leeway, favourable export structure



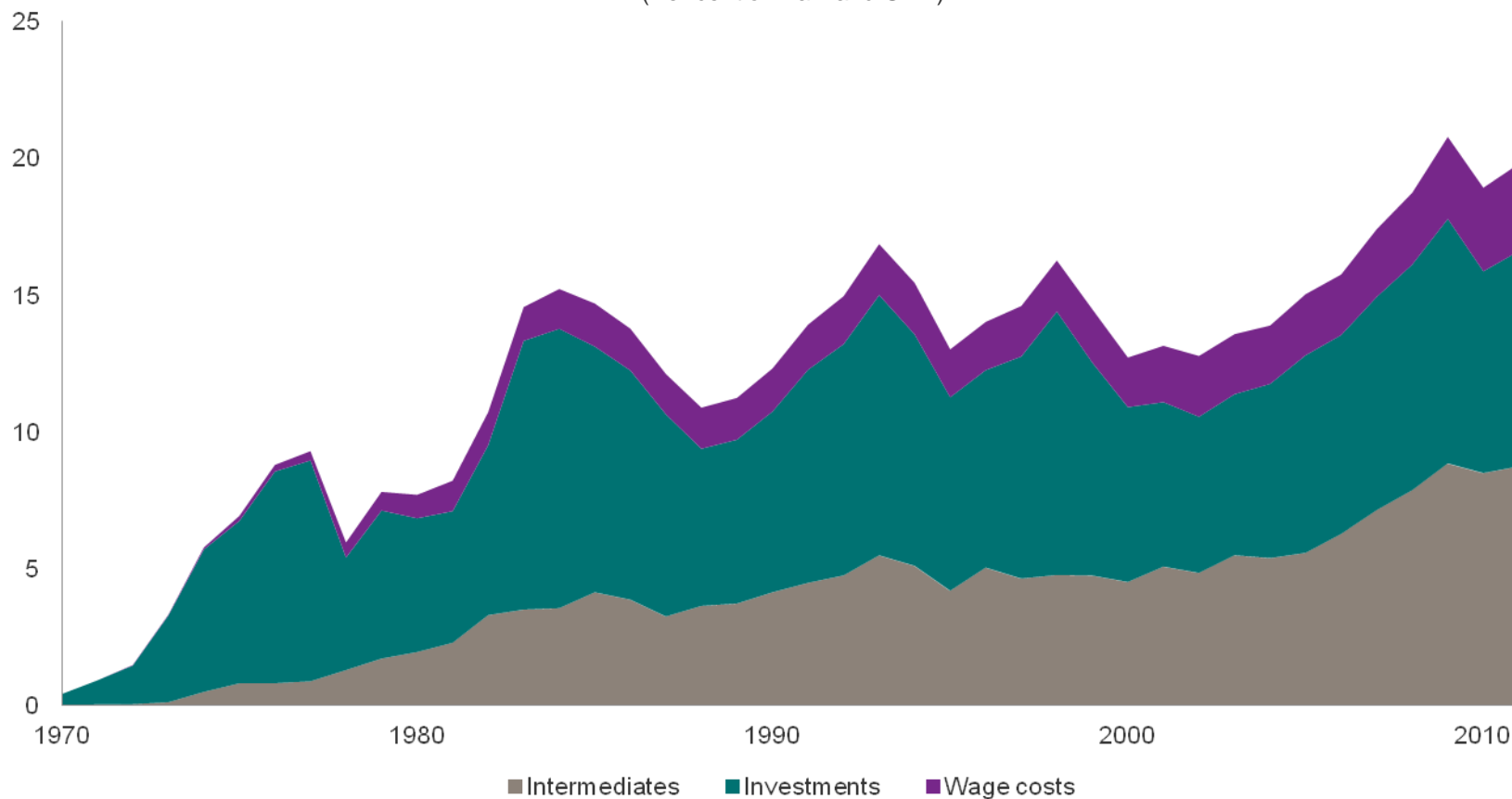
Not the average economy: 1/3 of annual central government revenues generated from petroleum activity

Oil and gas activity
(Percentage shares)



Important demand impetus to the mainland economy

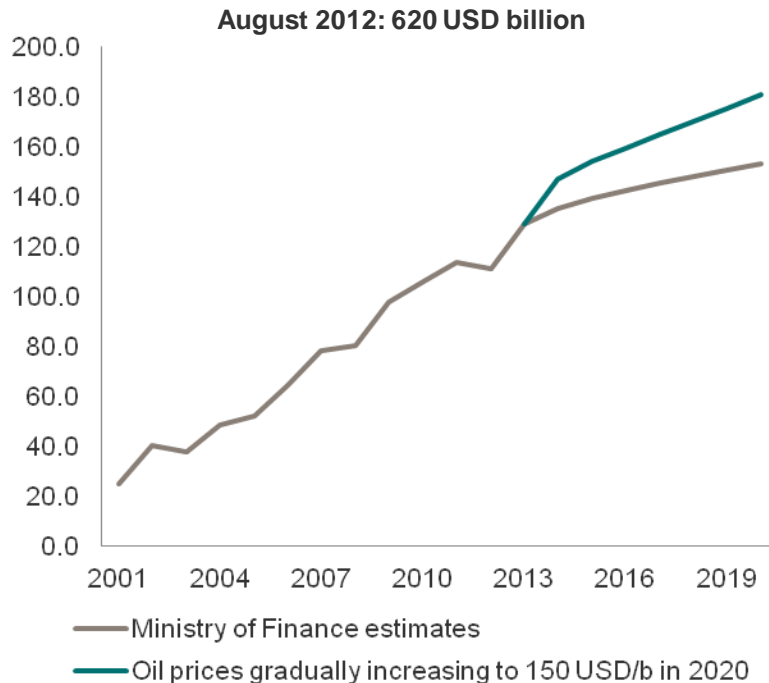
Oil sector use of resources
(Per cent of mainland GDP)



Fund shields economy from oil price fluctuations

Fiscal rule smoothes business cycles

Government Pension Fund – Global (Per cent of GDP)



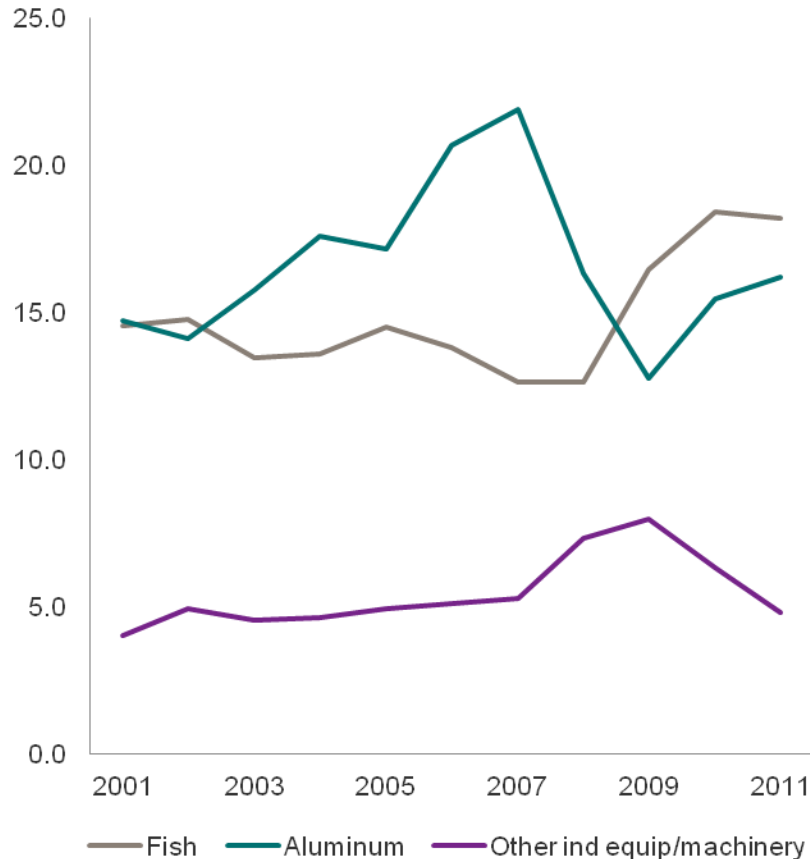
Fiscal leeway

- **Fund** is buffer between current petroleum revenues and the use of revenues in the economy
- **Fiscal rule:** In "normal times" the spending of oil revenues through government budgets is limited to the expected return (4%) of the fund
- **Motivation:** Petroleum revenues gradually phased into economy at a level that can be sustained over time
- **Smoothes business cycles:** Spend more in bad times, less in good times

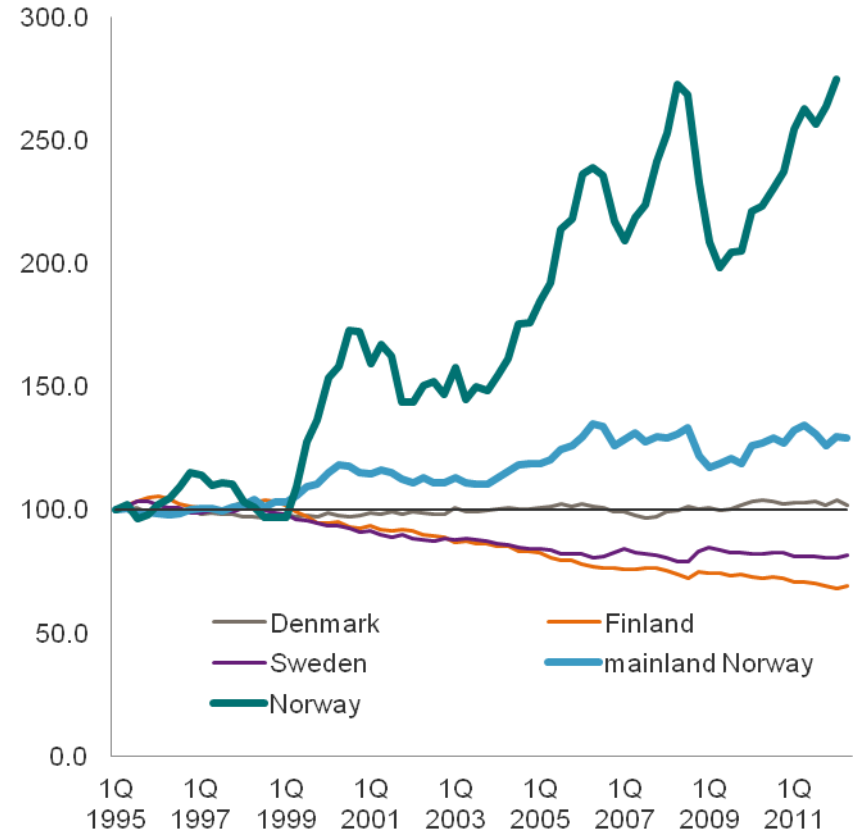
Norwegian economy is more than oil and gas

Beneficial terms of trade - with or without oil

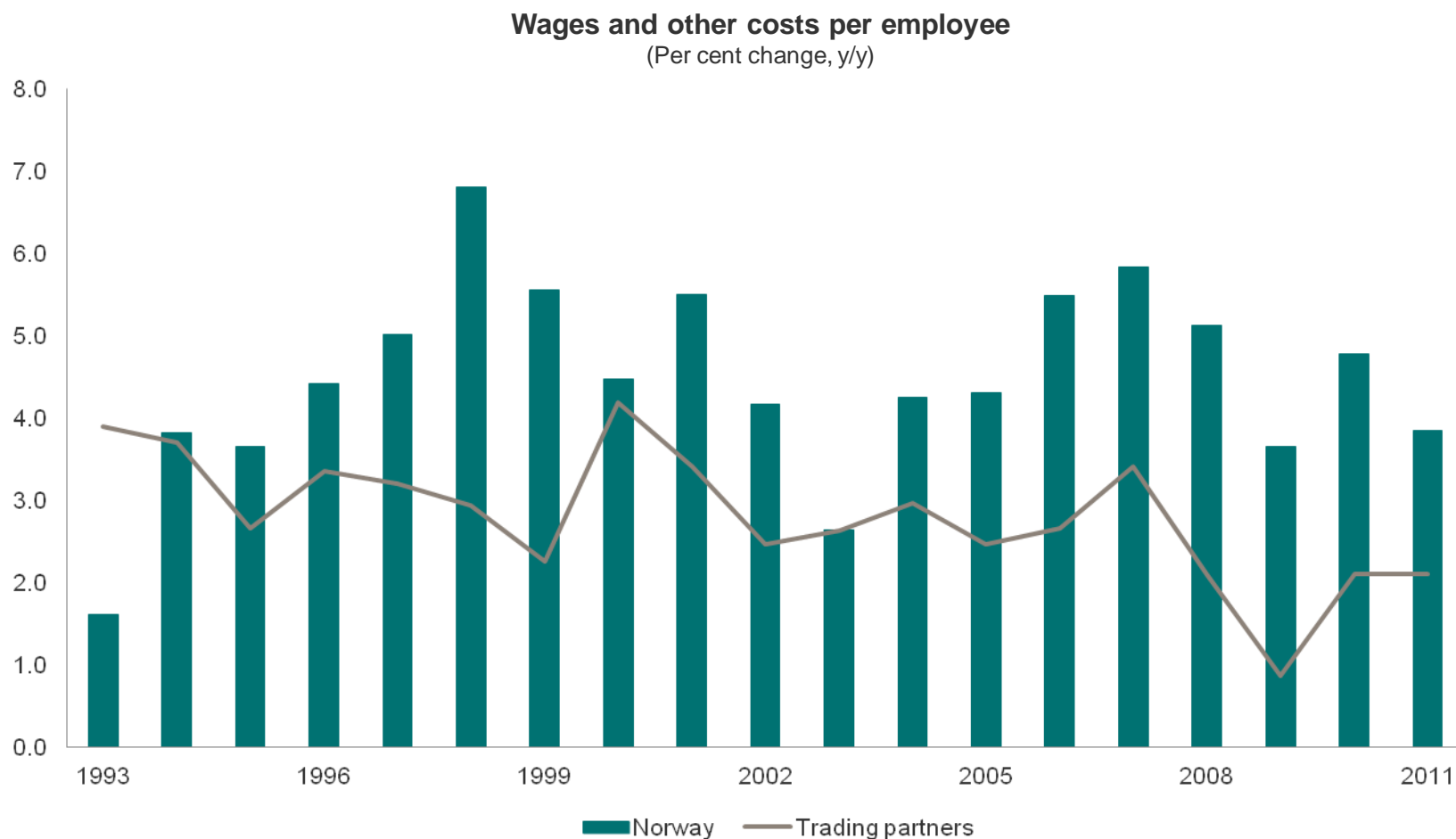
Top three traditional export goods
(Per cent of total export value)



Terms of trade. Exports/import prices
(Index, Q1 95=100)

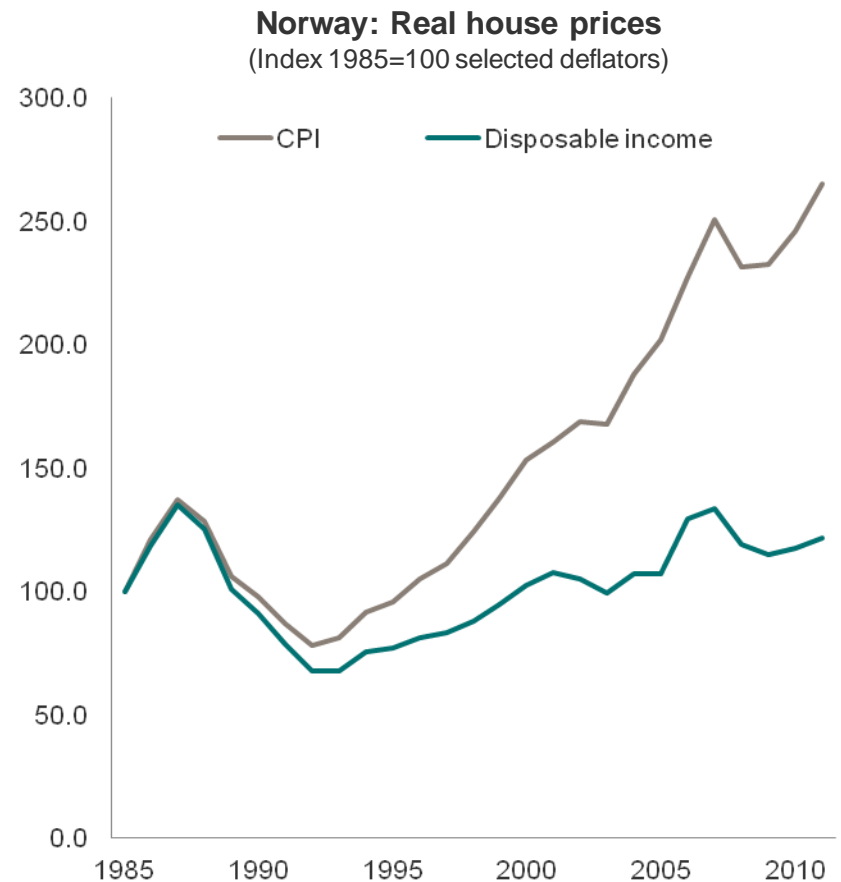
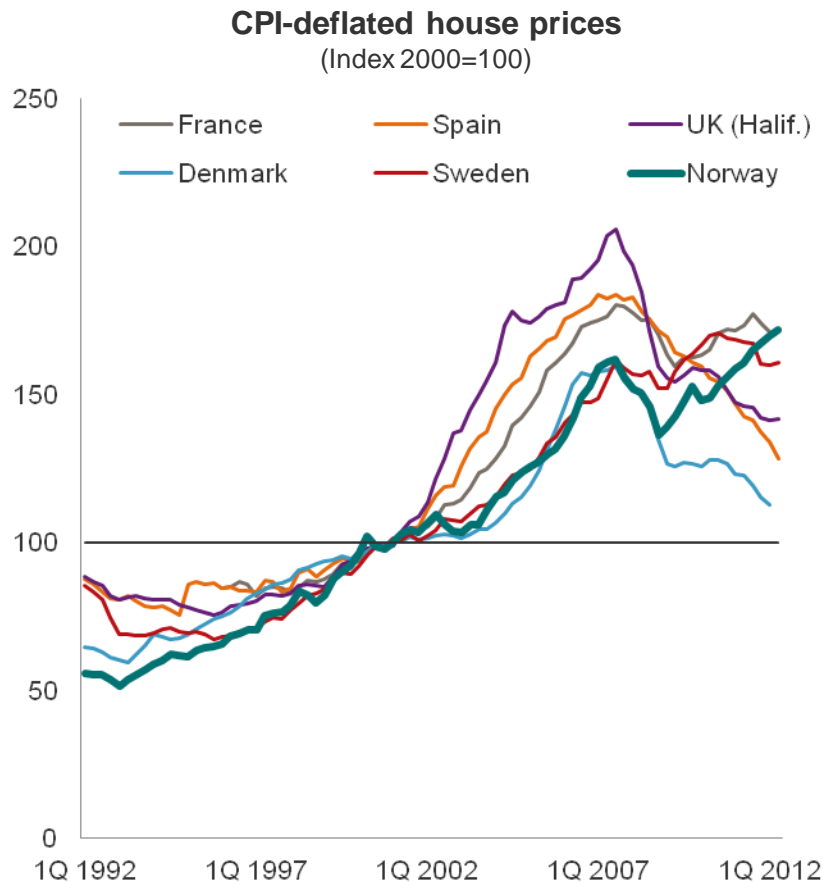


Beneficial terms of trade have supported income growth



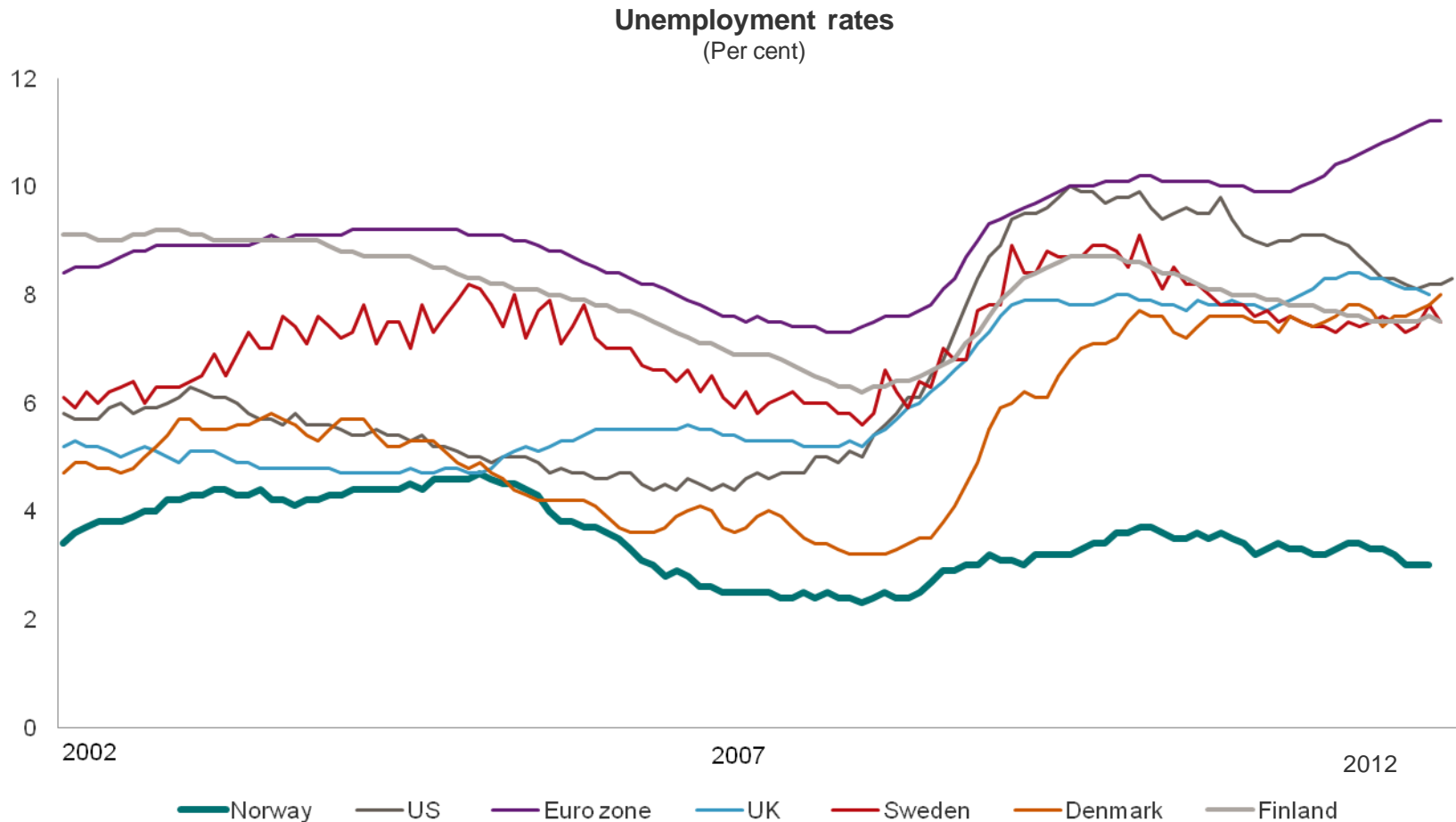
Norwegian house prices continue to grow (I)

- Demand side: Strong income growth, low interest rates



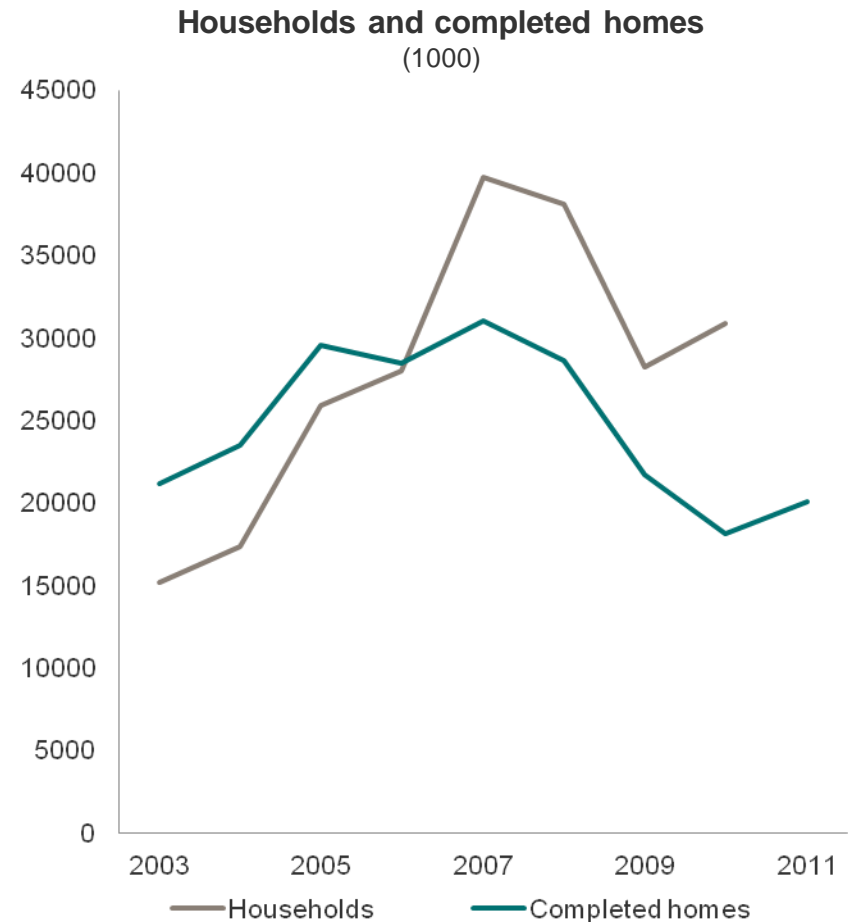
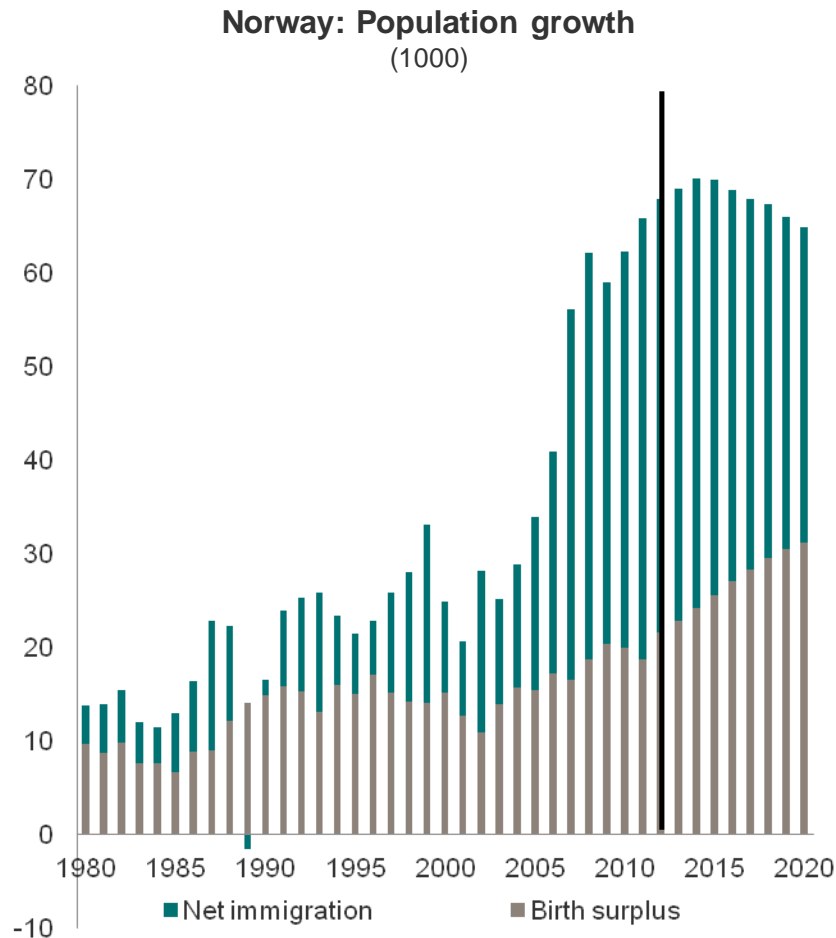
Norwegian house prices continue to grow (II)

- Demand side: Low and stable unemployment



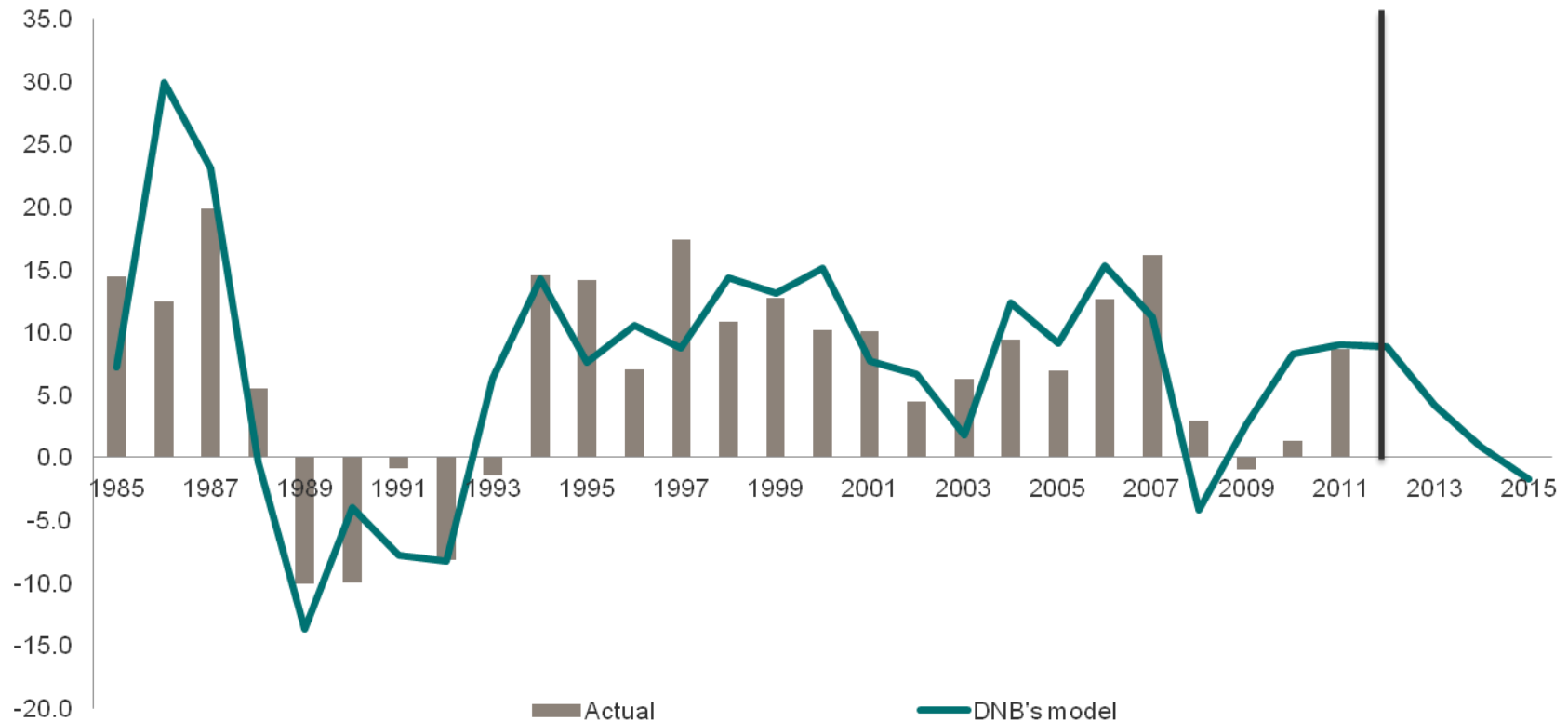
Norwegian house prices continue to grow (III)

- Supply side: Construction has not kept up with population



Expect house price growth to slow down: higher interest rate, slower income growth, more homes completed

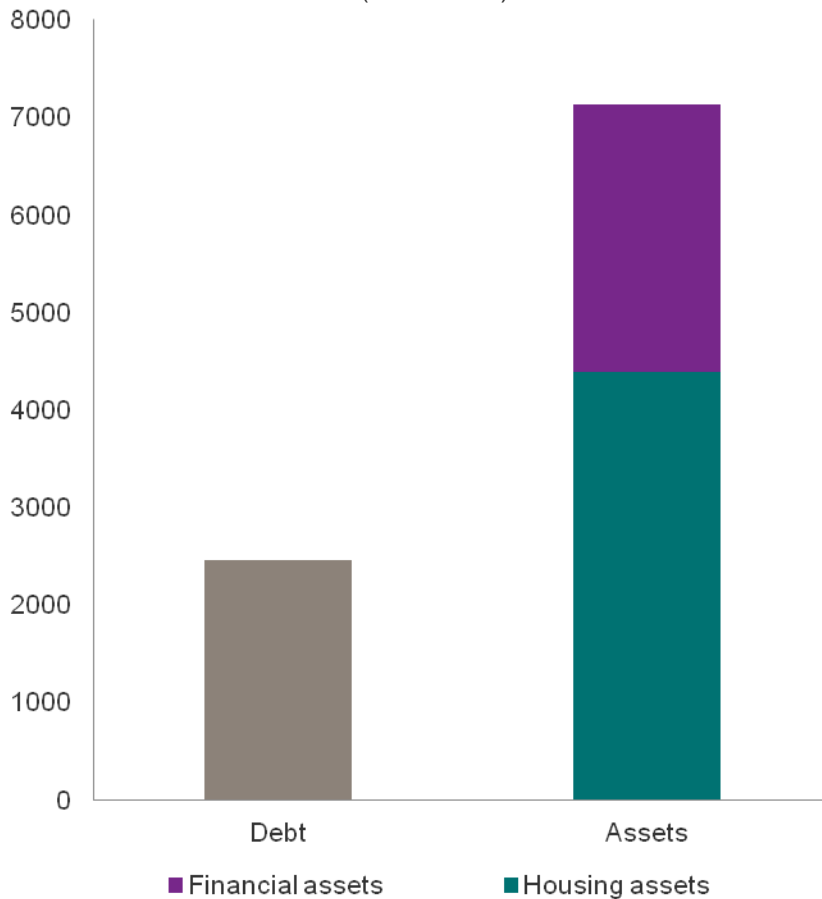
Housing prices
(Per cent, y/y)



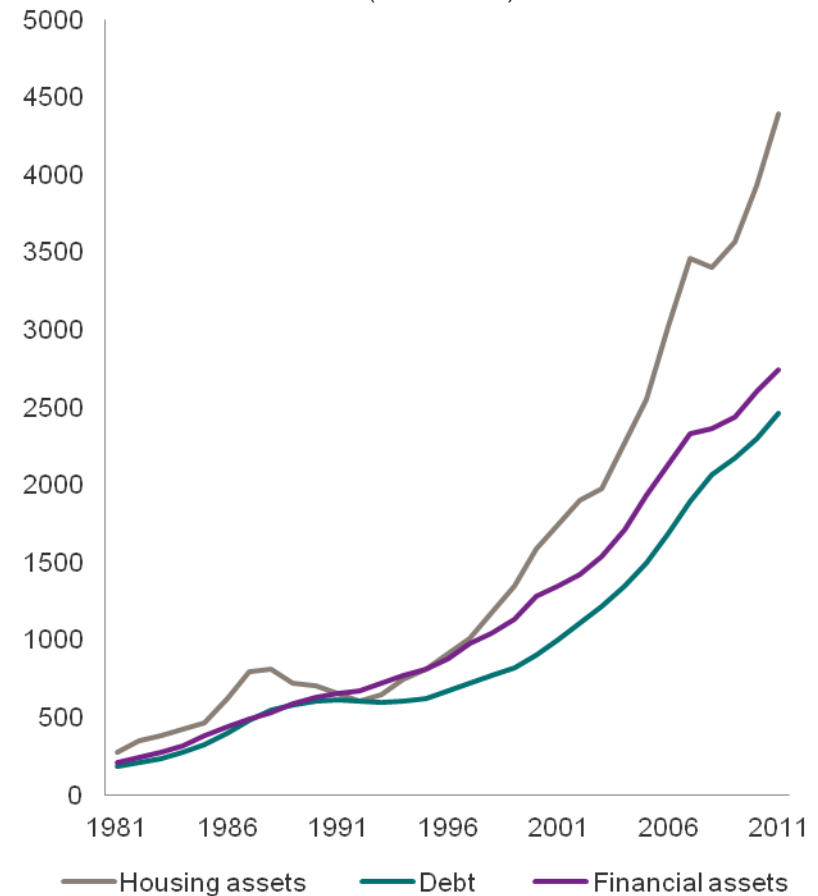
Norwegian households are solid

- Prefer home ownership (>80 per cent)

Household assets and debt 2011
(NOK billion)



Household assets and debt
(NOK billion)



Norwegian economy well positioned towards 2015

Solid and stabilising government finances

No negative impact on mainland GDP from oil price expectations

Relatively stable export demand

Solid households

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