



DET KONGELIGE  
FINANSDEPARTEMENT

*Royal Ministry of Finance*

## Press Release

---

No.: 21/2017  
Date: May 11, 2017  
Press contact: +47 22 24 44 11

Revised National Budget 2017:

### **A budget to promote employment, welfare, and security**

**The economic policies introduced in the 2017 Budget are proving effective. In the Revised Budget for 2017, the Government is therefore maintaining its focus on job creation, welfare, and security.**

– Unemployment is on its way down and growth is picking up. This shows that the Government's economic policies are working and are an appropriate response to the short- and medium-term challenges the Norwegian economy is facing. In this Revised Budget, we are facilitating the much-needed rebalancing of the economy towards the tradable sector, and are continuing our efforts to foster job creation, welfare, and security, says Minister of Finance Siv Jensen.

#### **Growth is picking up, supported by economic policy**

The Norwegian economy shows signs of strengthening. Growth is picking up in line with the forecasts presented in the 2017 Budget last autumn, and unemployment has declined. The upturn is supported by low interest rates and an expansionary fiscal policy. A weak currency has contributed to a significant improvement in competitiveness.

– During its term, this Government has proposed budgets that are supportive of job creation, robust growth, and economic rebalancing. Ensuring job security for as many people as possible is one of our most important tasks. The economic policies we have put forth are working, but there is still a need for supportive economic policies. Many continue to experience economic insecurity and fear for their jobs, especially in the south and on the west coast. The package of measures totalling 4 billion kroner that was approved last autumn promotes employment in the areas hardest hit by low oil prices. Now we are redoubling our efforts to tackle youth and long-term unemployment, says the Minister of Finance.

## **The Government's policies facilitate economic rebalancing and growth**

At the same time, it is important that fiscal policy support the economy's rebalancing toward the tradable sector and robust growth. Public revenues need to be spent wisely, and fiscal policy must be calibrated to ensure other areas of economic policy remain effective.

– We must avoid a too expansionary fiscal policy that would risk undermining the effectiveness of low interest rates and put pressure on the exchange rate. We also cannot replace jobs in the petroleum sector with a massive increase in public sector employment. To succeed with the necessary economic rebalancing we need to prioritize measures that sustain long-term growth and strengthen the private sector, says Minister of Finance Siv Jensen.

In the Budget for 2017, the Government is redoubling its focus on innovation, education, and infrastructure. Tax rates are being reduced. These measures strengthen the economy's growth potential. We have also embarked on a wide-ranging process to improve public service delivery and increase efficiency in the public sector.

– The Government's policies are designed to boost economic activity in the short term, and facilitate economic rebalancing and innovation, says the Minister of Finance.

## **The fiscal rule and the Government Pension Fund Global**

The Norwegian fiscal policy framework is designed to insulate the budget from volatile oil and gas revenues. The Government's net cash flow from petroleum activities is transferred in full to the Government Pension Fund Global (GPFG). The non-oil budget deficit is financed entirely through withdrawals from the Fund.

The fiscal rule guides the use of GPFG resources, and facilitates government saving to finance rising public pension expenditures and intergenerational equity in the use of Norway's petroleum resources. According to the rule, spending of oil revenues shall over time follow the expected real return of the Fund. The estimate of the expected real return of the GPFG was recently lowered from 4 to 3 per cent.

The capital of the Fund is invested abroad in international equities, fixed-income securities and real estate, within guidelines set by the Ministry of Finance. The investment strategy aims to achieve high financial returns subject to a moderate level of risk.

## **Key figures in the Revised Budget for 2017**

The 2017 Revised Budget includes updated information on the economic situation and includes proposals for modifications to budget revenue and spending items.

The Revised Budget projects that the use of petroleum revenue and GPFG resources, as measured by the structural, non-oil budget deficit, will amount to 220.9 billion kroner in 2017. That is 4.7 billion kroner below what was proposed in the 2017 Budget last autumn. This amounts to an estimated 2.9 percent of total GPFG resources, i.e. below the new estimate of 3 pct. expected real return in the Fund.

The modifications are mainly a result of lower expenditures on social security and higher dividends from companies where the Government is a shareholder. The Government also proposes to increase spending in a few areas, including on measures to reduce unemployment, relieve capacity constraints in the healthcare sector, and to facilitate the integration of unaccompanied asylum-seeking children.

The change in the structural, non-oil budget deficit in percent of mainland trend GDP is a simple measure of how much the budget contributes to aggregate demand in the economy. The combined fiscal impulse in 2016 and 2017 is reduced from 1.4 to 1.2 percent of mainland trend GDP, relative to the 2017 National Budget. The reduction is predominantly in 2016, and the fiscal impulse in 2017 is now estimated at 0.5 per cent of mainland trend-GDP, slightly above what was projected last autumn.

– The proposed revisions to the Budget entail that the use of oil money will be 4.7 billion kroner lower than envisaged in the Budget that was approved last autumn. Fiscal policy nevertheless gives a significant boost to aggregate demand. That pushes up economic activity and helps reduce unemployment, says Minister of Finance Siv Jensen.

### **Tax policy**

In the Revised Budget, the Government proposes a few tax reductions that together amount to 1 750 million kroner. The proposals include a new scheme for individual pension savings, tax reductions for pensioners, and tax incentives for business start-ups. In addition, the registration tax on motor cycles is differentiated according to CO<sub>2</sub> emissions.

**Key figures for the Norwegian economy. Growth in percentages unless stated otherwise**

	NOK billion <sup>1,2</sup>			
	2016	2016	2017	2018
Private consumption .....	1 407.0	1.6	2.1	2.5
Public consumption .....	761.0	2.3	1.9	..
Gross fixed investment .....	746.9	0.5	1.9	2.7
Petroleum.....	159.7	-14.7	-11.6	-4.0
Business sector. Mainland Norway .....	238.3	2.8	4.5	4.8
Exports.....	1 051.7	-1.2	1.1	0.4
Crude oil and natural gas .....	371.0	3.8	-0.4	-4.4
Goods exempting oil and natural gas .....	355.8	-8.2	2.8	5.5
Imports.....	1013.1	0.3	2.5	3.0
Gross domestic product .....	3 111.8	1.0	1.5	1.2
Mainland Norway .....	2 715.4	0.8	1.6	2.4
Employment growth .....		0.1	0.6	0.9
Unemployment rate (LFS).....		4.7	4.3	4.1
Wage growth .....		1.7	2.4	..
Consumer price inflation (CPI) .....		3.6	1.9	1.6
Underlying inflation (CPI-JAE) .....		3.0	1.7	1.8
Crude oil per barrel. NOK <sup>2</sup> .....		379	444	437

<sup>1</sup> Preliminary national account figures.

<sup>2</sup> Current prices.

Sources: Statistics Norway and Ministry of Finance.

## Key figures for the Fiscal Budget and Government Pension Fund. NOK billion

	2015	2016	2017
<i>1. Fiscal Budget</i>			
Total revenues .....	1 227.4	1 162.5	1 223.5
Revenues from petroleum activities .....	247.2	152.6	206.2
Revenues excl. petroleum activities .....	980.2	1009.9	1017.3
Total expenditures .....	1 194.5	1 246.1	1 295.0
Expenditures on petroleum activities .....	29.0	27.8	27.0
Expenditures excl. petroleum activities.....	1 165.5	1 218.3	1 268.0
Fiscal budget surplus before transfers to the Pension Fund Global.....	32.9	-83.6	-71.5
- Net revenues from petroleum activities .....	218.3	124.8	179.2
= Non-oil budget surplus.....	-185.3	-208.4	-250.6
+ Transfers from the Pension Fund Global .....	186.1	212.5	250.6
= Fiscal Budget surplus .....	0.8	4.1	0.0
<i>2. Fiscal Budget and Government Pension Fund</i>			
Net transfer to the Pension Fund Global .....	32.2	-87.7	-71.5
+ Interest and dividends on the Pension Fund .....	192.0	196.6	203.9
= Consolidated surplus .....	225.0	113.0	132.4

Source: Ministry of Finance.

## General government financial balance. NOK million

	2015	2016	2017
Central government financial balance .....	201 945	111 531	161 658
Fiscal Budget surplus and Surplus in Government Pension Fund .....	224 953	113 020	132 442
Non-oil budget surplus .....	-185 312	-208 388	-250 629
Net revenues from petroleum activities .....	218 256	124 779	179 171
Interest and dividends on the Pension Fund .....	192 008	196 629	203 900
Surplus in other central government and social security accounts .....	959	-3 935	-1 032
Definitional differences between Fiscal Budget and national accounts <sup>1</sup> .....	-23 967	2 447	30 249
+ Local government financial balance .....	-11 906	-12 353	-8 180
= General government financial balance.....	190 039	99 178	153 478
In per cent of GDP.....	6.1	3.2	4.7

<sup>1</sup> Includes central government accrued, but not recorded taxes. Direct investments in state enterprises, including government petroleum activities, is defined as financial investments in the national accounts.

Sources: Statistics Norway and Ministry of Finance.