



EUROPEAN FREE TRADE ASSOCIATION

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VIEWS OF THE EFTA COUNTRIES

REFLECTIONS ON NEW INDUSTRIAL POLICY APPROACHES

EFTA ECOFIN MEETING

9 NOVEMBER 2023

KEY POINTS

- The challenges of climate change, risks in supply chains, and geopolitics require sustained collaborative policy efforts.
- EFTA States are ready to engage in discussions on the policy responses to address these challenges, not least considering the likely spill-over effects.
- International trade and adherence to the liberal rules-based system remain key to addressing the current challenges.
- Increased transparency and exchange of information on new policies can help avoid misperceptions and adverse policy reactions.

1. Introduction and Motivation

The global pandemic and Russia's war on Ukraine has led to an expansion of temporary state aid to households and businesses. In many parts of the world, including Europe, these measures are now succeeded by industrial policy programs through which considerable public resources are made available.

The main (interlinked) motivations for these industrial policy programs are:

- to increase the resilience of value chains and reduce dependencies regarding certain goods.
- to increase domestic production and security in light of geopolitical risks.
- to promote the decarbonization of the economy.

EFTA States welcome the stepped-up climate policy actions by partner countries around the world. As Europe continues to pursue ambitious climate policies, increased action in other parts of the world will benefit all countries and people. EFTA Countries acknowledge the need for measures to facilitate the green transition and to de-risk supply chains. The current challenges related to decarbonization, and geopolitics are likely to persist and will require sustained individual and joint policy efforts.

As the new challenges call for a response, it is important to keep in mind lessons from history. Past attempts at industrial policy to drive structural change, especially measures aimed at specific industries, companies, or technologies, have had mixed results. Furthermore, the welfare and distributional effects of public subsidies and trade restrictions are in question. Europe should therefore lead the way with policies that cause as few distortions as possible and that continue to harness the benefits of international trade.

Small open economies such as EFTA States may be particularly affected by the cross-border spillovers, both positive and negative, of foreign industrial policy programs. In order to foster a common understanding and avoid misperceptions, EFTA States welcome an open dialogue on the opportunities and risks that the new industrial policy programs offer.¹

¹ Support to agriculture, which could also be considered industrial policy, is not addressed here.

2. Some General Observations on Industrial Subsidies

Industrial policy programs take many forms. EFTA States acknowledge that properly designed measures can be helpful policy tools to address emergencies and market failures. However, measures that accord preferential treatment to specific industries, companies, products or technologies – as opposed to technology-neutral, non-discriminatory measures – should be thoroughly assessed.

Funding research, innovation, and demonstration of new technologies is widely recognized as providing benefits to the whole economy, while subsidies to specific industries, products or technologies yield mixed results. Preferably, the task of “picking the winner” is left to markets.

Governments have limited ability to choose the “right” target because of a lack of or asymmetry of information. The timing of support measures is tricky, given interactions with the macroeconomy and global market conditions. Further, there is a risk that industrial policies lead to regulatory capture and rent seeking behavior. Subsidies often become permanent, thereby creating new dependencies and increased market concentration. They may obstruct rather than promote structural change by reducing incentives to dynamic innovation and by moving resources to areas favored by vested interests rather than market forces.

As industrial policy measures in one jurisdiction affect trade and investment decisions in other jurisdictions, policymakers should be mindful of possible spillover effects and refrain from protectionist action. Subsidies can distort international trade by boosting the competitiveness of domestic producers relative to their competitors from abroad in the short term. As a result, unsubsidized competitors may have difficulties in accessing markets or may be displaced in foreign markets by subsidized exports.

Experience shows that industrial policy induces copycat behavior and tit for tat competition between countries that can afford it. This increases the risk of a costly subsidy race. Subsidies to specific manufacturing industries may also trigger perceptions of unfairness in those countries that are unable or unwilling to participate in the subsidy race. Furthermore, industrial policies may trigger other retaliatory countermeasures, as evidenced by rising number of countervailing measures undertaken by WTO members. This can lead to cascading effects due to circumvention and further controversies, thereby damaging trade relations and leading to economic fragmentation.

3. The Policy Approach of EFTA Countries

The three EEA/EFTA States (Iceland, Liechtenstein and Norway) are members of the European Economic Area (EEA) which allows them to participate fully in the Single Market.

General Approach

Exposure to international competition in a rules-based and open trade environment has been key to productivity and welfare growth across the world. Promoting a level playing field allows for continued gains from international trade, including through diversification.

At the national level, EFTA States aim to establish favorable economic conditions for all companies, and favor policies that are sector- and technology-neutral. The mixed experiences with giving preferential treatment to hand-picked industries, as well as EFTA States’ economic

openness and limited domestic markets, have led EFTA States to generally refrain from supporting specific industries, products and technologies, with agriculture being the exception. The role of the latter for food security has been recognized further in recent years.

EFTA States rely on horizontal programs to promote technology-neutral innovation and research based on excellence. These programs have a good track record, especially when they promote international cooperation at the same time (e.g., large parts of Horizon Europe). Public investment in education, research, and innovation plays a key role in preparing the workforce for new challenges and in expediting decarbonization solutions. Strong emphasis is placed on the promotion of basic research and the facilitation of knowledge transfer from universities and research institutions to private businesses.

EFTA States are counting on economic openness to promote the resilience of their economies and fully support the rules-based global trading system. Domestic policies to match foreign subsidies or countervailing measures to foreign trade restrictions are costly and would primarily hurt their own economies. It is therefore EFTA States' longstanding practice to refrain from responding to trade restrictions imposed by trading partners, such as import restrictions, tariffs or requirements for local content.

Recently, in response to the challenges posed by the COVID-19 pandemic and Russia's war on Ukraine, EFTA States implemented temporary support measures in line with the EU state aid rules. Most of these measures, such as short-time work compensation or more generous temporary lay-off schemes, were accessible to all affected companies. Nevertheless, there was a recognition that certain sectors, such as tourism or arts and entertainment, were disproportionately impacted and needed additional support. Most of these measures have since expired, but an increased inclination to call for government support to cope with adverse developments remains.

Response to Climate Change and De-risking Supply Chains

In line with the general approach, maintaining and improving sound economic framework conditions that support the market-based search for solutions has also been instrumental to advance the green and digital transitions as well as to de-risk supply chains.

Like the EU, EFTA States are pursuing ambitious climate policies to reduce greenhouse gas emissions to net-zero. To a large extent, they have been relying on carbon pricing, and their effective carbon rates reach high scores among OECD countries.² This approach allows the market to identify and implement emission reductions where they are most efficient. Following revisions of the EU and Swiss ETS, carbon prices are expected to rise further. The Norwegian government has announced plans to gradually raise the carbon price to NOK 2000 (175 euro) per ton on emissions under the effort sharing regulation by 2030.

To sustain the strong climate ambition, supplementary subsidy and innovation programs have been introduced. These include research programs in all important fields of technology in the areas of renewable energy and energy efficiency. In Switzerland, additional funding initiatives are foreseen under the recently passed Climate and Innovation Act, aimed in particular at

² OECD (2021), *Effective Carbon Rates 2021: Pricing Carbon Emissions through Taxes and Emissions Trading*, OECD Series on Carbon Pricing and Energy Taxation, OECD Publishing, Paris.

promoting new technologies and processes. Importantly, these efforts are designed to be impartial towards specific technologies or sectors, emphasizing a technology-neutral approach. In Norway, preferential treatment has been granted for the taxation of EVs, and the Government in June 2022 put forward a roadmap for its Green Industrial Initiative to further reinforce the green transition with a mix of instruments. Even though Norway emphasizes sector wide measures in climate change policies, The Green Industrial Initiative gives special attention to some key industries for developing an emission-free economy, such as offshore wind, batteries, hydrogen, and carbon capture and storage. In line with the TCTF³, the EFTA Surveillance Authority has recently approved a Norwegian investment scheme that aims at developing renewable energy generation by supporting investments in floating offshore wind. The Green Alliance between the EU and Norway, signed in April, prepares the ground for further cooperation on climate, environment, energy, and industrial transformation.

Impact of and Response to New Foreign Industrial Policy Programs

In some EFTA States, programs such as the US IRA, the Chips Act or the EU GDIP have triggered public debates on their impact and on a possible national response. The governments of the EFTA States have not changed their general stance on industrial policy action. The EFTA/EEA states are obliged to consider whether the EU acts are EEA relevant and should be incorporated into the EEA agreement.

In a joint Comment the EEA/EFTA States have welcomed the EU's Critical Raw Materials Act and its objective to ensure access to a secure, diversified, affordable and sustainable supply of critical raw materials.⁴ The Norwegian Government has also stated its support of the overarching goals of the Critical Raw Materials Act and the Net Zero Industry Act. Together with the European Chips Act, the acts will be subject to an assessment of EEA relevance.

The macroeconomic effects of the new foreign industrial policies on EFTA States are expected to be limited. However, estimating the impact of foreign industrial policy programs is challenging. The initiatives could have both positive and negative consequences for EFTA States and varying effects across different industries and companies.⁵ The lack of comprehensive and comparable data on government support, particularly to industrial sectors, is also an obstacle to understanding the scale, types, and effects of subsidies.⁶

In some EFTA States, the industrial policy programs announced, and subsidies awarded in neighboring countries have raised expectations among domestic manufacturers of receiving matching support from their own government. This has especially been the case with regard to the subsidization of energy prices. For example, a parliamentary motion has recently been adopted in Switzerland instructing the government to develop a program of measures “to address imbalances in the metal industries that have arisen from subsidies in the EU”.

³ As part of its response to the US Inflation Reduction Act, the EU has adopted the Temporary Crisis and Transition Framework (TCTF), which provides increased and simplified opportunities to support the green transition, such as investments in battery technology, solar panels, wind turbines, electrolyzers and equipment for carbon capture and storage.

⁴ The Comment is given without prejudice to further comments and assessments from the EEA EFTA States.

⁵ A study has been commissioned by the government of Switzerland to assess the potential impact of foreign industrial policy programs on Switzerland. It will hopefully provide helpful insights to other economies as well.

⁶ Government support in industrial sectors : A synthesis report | OECD Trade Policy Papers | OECD iLibrary (oecd-ilibrary.org)

EFTA States closely follow the discussions between the EU and the US on market access under the US IRA and pursue their own dialogue with both the US and the EU about the trade policy consequences of the US IRA. Even if the US IRA offers positive opportunities for investment and collaboration in a number of business sectors, there are concerns about certain elements, inter alia the requirement for local content and production.

4. The way forward

The EFTA States believe in a continued dialogue with partner countries on how to best address the challenges of climate change and supply chain risks. We all have a strong interest to ensure that green initiatives across the globe will contribute to speed up technology development, to lower decarbonization costs, and to reduce global emissions of greenhouse gases. Adherence to the rules-based trading system will be key to this.

As the new industrial policy programs move from design to implementation and support for state-supported strategies seems to be on the rise globally, the following points merit continued attention:

- Industrial policy programs should be complementary to efforts to promote sound economic framework conditions.
- Given the resources at stake, there should be a high standard for assessing the rationale and effectiveness of industrial policies, in particular subsidies. Measures should be temporary and carefully targeted to correct for market failures.
- Measures should be non-protectionist and compatible with the open rules-based trading system to avoid a harmful subsidy race.
- The EU State Aid Framework, to which the EFTA/EEA countries adhere, has a crucial role to play. Maintaining a level playing field as well as avoiding distortions and fragmentation remain essential even in the context of the current challenges.

Switzerland: Country Annex

As of 10 October 2023

Macroeconomic situation and outlook

After a buoyant start to the year, Switzerland's economy stalled in the second quarter of 2023. Consumer spending has remained strong, and the services sector has been experiencing growth across the board. In contrast, the industrial sector recorded a decline in both investments and value added in Q2 2023. GDP adjusted for sporting events is currently expected to grow by 1.3% for the whole of 2023.

Consumer spending will continue to provide support, given the sound labor market situation and expectations of at least some employment growth. Moreover, inflation for the whole of 2023 has been revised down to 2.2%. However, the Swiss franc's recent strength coupled with subpar global demand will hurt goods exports, while declining capacity utilization and rising interest rates will curb investment activity. Weak growth in equipment investment and a decline in construction investment for 2023 as a whole are likely.

In 2024, some recovery in global demand and thus in Swiss exports can be expected. Consumer demand will probably lose some momentum, however. The economic slowdown is likely to have repercussions on the labor market. Unemployment – averaging 2% in 2023 – is projected to reach 2.3% in 2024. At the same time, inflation in 2024 has been revised up to 1.9%. Against this background, 2024 GDP growth adjusted for sporting events of 1.2% is expected. This would mean significantly below-average growth for two years. This forecast is based on the assumption that there will not be an energy shortage with widespread production losses in the winter of 2023/24.

Downside risks are prominent and stem from a persistent inflationary environment and, accordingly, more restrictive monetary policies. This would further slow global demand. Moreover, there could be an increase in existing risks associated with global debt, the risk of property and financial market corrections and the balance sheet risks of financial institutions. Meanwhile, an energy shortage in winter 2023/24 cannot be excluded, despite the easing seen to date.

Fiscal Policy Stance

While the fiscal position of the overall government is balanced, the situation of the Confederation remains tense compared to pre-pandemic years. According to the 2024 budget, overall revenue (ordinary and extraordinary receipts) will grow by 2.1%, i.e. CHF 1.7 bn, compared to 2023 due to a VAT rise in favour of old-age insurance and due to the projected major rise in profit tax. Overall expenditures will increase even more by 4.1%, i.e. CHF 3.5 bn. This will result in a total budget deficit of CHF 6.6 bn (0.8% of GDP). Extraordinary expenditures include transfers to the cantons in connection with people from Ukraine seeking protection, a capital contribution to Swiss Federal Railways and the – as yet unutilised – emergency mechanism for the electricity sector. Nonetheless, the requirements of the debt

brake will be met thanks to cross-sectional cuts leading to a "black zero" in the debt brake budget.

The medium-term outlook for the financial plan 2025-27 remains tight. Despite the relief package proposed for 2025, which includes cuts in earmarked expenses like the federal contribution for unemployment insurance and the cantonal share of direct federal tax, a structural deficit up to CHF 1.2 bn remains to be cleared. Due to high uncertainty, additional measures might be necessary.

Key budget figures, Confederation 2022-2027

<i>CHF bn.</i>	2022	2023	2023	2024	2025	2026	2027
	FinStat	Budget	Expect	Budget	FinPlan	FinPlan	FinPlan
1 Ordinary receipts	74.0	79.8	79.5	82.8	84.7	88.6	90.2
2 Ordinary expenditure	77.9	80.5	80.4	83.3	85.4	89.0	91.4
3 Ordinary fiscal balance	-3.8	-0.7	-0.9	-0.5	-0.8	-0.3	-1.2
4 Structural balance (incl. debt brake anticyclical corr.)	-3.5	0.2	-0.7	0.0	-0.7	-0.3	-1.2
5 Extraordinary receipts	1.7	1.6	0.3	0.2	0.2	0.1	0.1
6 Extraordinary expenditure	3.1	5.7	1.2	6.4	4.0	4.0	0.0
7 Overall fiscal balance	-5.3	-4.8	-1.8	-6.6	-4.5	-4.3	-1.2

State: 25.10.2023

Current Policy Challenges

Compared to Fall 2022, the energy supply situation is less tense. Natural gas and electricity prices have eased considerably, with gas storage in Europe at comfortable levels. However, shortages cannot be excluded. For the time being, no new measures beyond the 2022 provisions are envisaged.

The federal administration is currently carrying out a comprehensive assessment on the state and competitiveness of the Swiss economy, which will go beyond the issue of Switzerland's bilateral relations with the European Union and questions of market access⁷. A major focus will be on the worldwide competition of locations in light of the forthcoming implementation of OECD corporate minimum taxation and recent foreign industrial policy programs. Apart from this, other major challenges pertain to the Too-big-to-Fail regulation (TBTF) for the financial sector as well as the long-term sustainability issues.

OECD corporate minimum taxation

Corporate minimum taxation will make Switzerland less attractive from a tax perspective. To maintain predictability for MNE, the adoption of the constitutional amendment on the OECD minimum corporate taxation in June 2023 by popular vote was an important step. The provision is currently planned to enter into force as of 1.1.2024. The financial impact of this minimum taxation is still unclear, as it depends to a great extent on the legislation in other countries and on how cantonal decision makers and companies react. Annual receipts from the supplementary

⁷ An extensive assessment of Swiss-EU relations has recently been concluded. [Bundesrat legt Entwurf Bericht Lagebeurteilung Beziehungen Schweiz-EU vor \(admin.ch\)](#)

tax are estimated to be approximately CHF 1 to 2.5 billion initially. These receipts are planned to be used within the fiscal equalization scheme and for location measures.

TBTF / Credit Suisse

In March 2023, as Credit Suisse was facing an acute confidence crisis, Swiss authorities had to intervene to protect the Swiss economy. The swift takeover of Credit Suisse by UBS supported by government measures enabled the financial system to be stabilised and further damage to be averted. The package of measures included a federal loss protection guarantee (CHF 9 bn) and two liquidity assistance loans (CHF 100 bn each) by the Swiss National Bank, one of them backed with a federal guarantee, the so-called public liquidity backstop. In August 2023, UBS terminated the agreed federal support measures. The Confederation did not incur any losses from the guarantees provided. With the termination of the guarantees, the associated risks also ceased to apply for the Confederation and the taxpayers.

To further promote financial stability, in September 2023, the Federal Council adopted the dispatch on the introduction of a public liquidity backstop for systemically important banks under ordinary law and submitted it to Parliament. In parallel, work is also continuing on the comprehensive review of the too-big-to-fail regulatory framework.

Long term fiscal policy challenges

Important medium to long-term fiscal policy challenges includes firstly, demographic ageing, most notably sustainably financing the old-age insurance scheme and designing policy measures that help to contain mandatory health care expenditure growth. Secondly, climate change, including adaptation and mitigation measures, are expected to put public finances under pressure over the coming decades.

Approach to industrial policy

Switzerland's economic policy primarily aims at establishing favorable economic conditions for all companies and typically avoids providing direct support to specific industries through vertical industrial policy measures. Switzerland is committed to enhancing economic freedom by improving the regulatory framework, reinforcing property rights and strengthening access to foreign markets. Switzerland is counting on economic openness to contribute to the resilience of the economy.

To promote economic resilience, prosperity, and innovation, Switzerland primarily pursues policies that are sector- and technology-neutral. Strong emphasis is placed on the promotion of basic research and the facilitation of knowledge transfer from universities to businesses to drive innovation. Currently, a high proportion of research and development expenditures is funded by the government (0,9% of GDP vs. 0,66% in OECD countries)⁸. This funding primarily supports basic research and university research. Promoting collaboration and knowledge exchange between universities and companies is a key aspect of Switzerland's innovation policy. This fosters the advancement and development of innovative market solutions.

⁸ OECD (2022): "Main Science and Technology Indicators", OECD Science, Technology and R&D Statistics (database), <https://doi.org/10.1787/data-00182-en> (accessed on 20 September 2023).

In accordance with the Paris Agreement, Switzerland has adopted climate policies with the aim of reducing greenhouse gas emissions to net-zero. From an economic standpoint, the most efficient means to reduce domestic greenhouse gas emissions is by implementing a pricing mechanism for these emissions. This approach allows the market to identify and implement emissions reductions where it is most efficient. Among OECD countries, Switzerland currently has a high effective price on greenhouse gas emissions.⁹

Due to the planned revision of the Swiss Emissions Trading System in line with the EU ETS, the price of emission allowances is expected to rise further. Meanwhile, increases in the CO₂ levy were voted down in a public referendum in 2021. Switzerland will therefore strengthen other instruments of the existing policy mix, as foreseen under the new federal law on Climate and Innovation adopted in 2023. In particular, within the framework of the so-called Buildings Program, additional funds will be provided to speed up the transition to green heating and cooling systems. Additional funding will also be provided to the private sector to promote the application of new technologies and processes. Importantly, this funding will be provided in a sector- and technology-neutral manner.

Experience with (vertical) industrial policy

Switzerland typically refrains from relying on vertical industrial policy measures as a means of supporting specific industries because of the inherent ambiguity surrounding both the effectiveness and the potential adverse consequences of such interventions. During the late 19th and early 20th centuries, industrial policy instruments were employed in a variety of industries. One notable example was the eastern Swiss embroidery industry, which was facing various challenges, prompting the government to provide support.¹⁰ However, despite these interventions, the industry continued its decline. It became evident that the structural changes affecting the industry could not be reversed by industrial policy measures.

More recently, in response to the challenges posed by the COVID-19 pandemic, temporary support measures were implemented. The vast majority of the financial support was aimed at strengthening the short-time work compensation and providing liquidity (COVID-19 credits). This support was available to all affected companies. In addition, for sectors that were disproportionately impacted, such as the tourism or cultural sector, additional targeted and temporary support was granted.

Assessing the impact of recent foreign industrial policy programs

Estimating the impact of foreign industrial policy programs is challenging. A study commissioned by the federal government is currently underway to assess the potential impact

⁹ OECD (2021), Effective Carbon Rates 2021: Pricing Carbon Emissions through Taxes and Emissions Trading, OECD Series on Carbon Pricing and Energy Taxation, OECD Publishing, Paris, <https://doi.org/10.1787/0e8e24f5-en>.

¹⁰ [Industriepolitik Schweiz: Früher ja – heute nein – Die Volkswirtschaft](#)

of programs such as the US IRA on Switzerland. The initiatives could potentially yield both positive or negative consequences for the Swiss economy and the effects may not be uniform across different companies or industries.

On one hand, domestic companies providing inputs to these subsidized production processes might experience increased demand and some sectors might benefit from reduced global prices. On the other hand, foreign subsidy programs might lead to excess production capacities, thereby intensifying competitive pressures on Swiss companies. The complexity and interactions of the effects make it challenging to accurately quantify their overall impact.

Response to recent foreign industrial policy programs

The Swiss Federal Government does not pursue a strategy to increase state aid or to adopt protectionist measures to react to foreign industrial policy programs. Instead, Switzerland will continue to rely on the comprehensive measures in place in various areas of its economic, climate, research, innovation, and trade policies. These policies encompass a wide range of initiatives designed to achieve a diverse set of objectives such as decarbonization or strengthening the resilience of the economy. In particular, Switzerland continues to pursue a strategy of openness to trade. For example, all remaining tariffs for industrial goods will be abolished unilaterally as of January 1st 2024. This tariff reduction will benefit both the Swiss economy and partner countries.

However, some of the industrial policy programs announced and subsidies awarded internationally have raised expectations that Switzerland match such support. This has especially been the case regarding the subsidization of energy prices and decarbonization efforts in the steel industry. For example, a parliamentary motion was recently adopted instructing the government to develop a program of measures “to address imbalances in the metal industries that have arisen from subsidies in the EU”.

Switzerland: Economic Indicators and Forecasts

Growth rates in % unless otherwise stated.

GDP and components: volumes, seasonally adjusted; foreign trade: excluding valuables.

	2022	2023	2024
GDP and components, sport event adjusted			
GDP	2.4	1.3	1.2
Private Consumption	4.2	2.2	1.1
Government Consumption	-0.8	0.8	-1.1
Investment in construction	-5.5	-2.1	0.7
Investment in fixed assets and software	4.6	0.8	1.1
Exports of goods	4	3.4	4.1
Exports of services	6	2.8	3
Imports of goods	7.6	1.2	3.8
Imports of services	4.3	8	3.5
Labor market and prices			
Employment in full-time equivalents	2.7	2.1	0.8
Unemployment rate in %	2.2	2	2.3
Consumer price index	2.8	2.2	1.9
Fiscal Indicators*			
Revenue in % of GDP	32.9	32.8	32.4
Expenditure in % of GDP	31.7	32	31.5
Deficit/surplus in % of GDP	1.2	0.8	0.9
Debt in % of GDP (Maastricht criteria)	26.2	26.0	25.5

* General government (confederation, cantons, municipalities, social security funds)

Iceland: Country Annex

Macroeconomic situation and outlook

The post-pandemic economic recovery, supported by strong domestic demand, a rapid bounce back of tourism and an unprecedented surge in population growth, has exceeded expectations. The 5,8% growth rate in the first half of 2023 is the strongest among OECD countries. However, growth is expected to slow in the second half of the year amidst tighter financial conditions.

The labor market remains tight, although signs of easing have started to emerge. The unemployment rate reached a minimum earlier in the year and the number of vacancies has decreased. Tight labor market conditions have contributed to wage increases significantly beyond levels consistent with low and stable inflation. A new round of collective wage bargaining is coming up this winter.

Inflation remains persistent. It peaked in early 2023 at around 10% but has since moderated and currently stands at 7.6%. Thanks to reliable domestic and renewable energy sources, Iceland was largely shielded from the effects of the power crisis that heavily impacted many European countries. Nevertheless, prices have risen significantly, and inflation expectations have become unanchored. The Central Bank of Iceland has responded with tightened macroprudential rules and 14 interest rate hikes. The key policy rate currently stands at 9.25%.

At last, tightened fiscal and monetary policy is clearly weighing on demand. There is evidence of a substantial slowdown in private consumption and investment growth. Furthermore, after two years of double-digit growth, house prices have come to a standstill. However, with a new round of wage negotiations coming up, the inflation outlook is highly uncertain.

Current major policy initiatives and fiscal policy stance

The government fiscal balance has recovered much faster than anticipated. The primary balance was already in surplus in 2022 after a 6,6% of GDP deficit in 2020. After a significantly tightened fiscal policy stance in 2022 and 2023, the stance is projected to be mildly contractionary in 2024. As such, the increase in the debt ratio, as defined in the Act on Public Finances, following the pandemic has been arrested and is projected to decrease to 31% next year. The current objective of fiscal policy is to work in the same direction as monetary policy and constrain demand, while supporting vulnerable households.

In light of the improved fiscal balance, the Government has announced that the numerical fiscal rules governing public finances, that were temporarily suspended during the pandemic, will be reinstated in 2025, a year earlier than previously anticipated.

The first phase of a comprehensive reform to the taxation of vehicles will be implemented next year. The objective of the reform is to support the energy transition, reduce traffic, and strengthen the link between taxation and vehicle usage. A mileage fee, including for electronic vehicles, is a part of the reform.

National approach to industrial policy

Does your government have policy priorities with regard to specific economic sectors?

The deceleration of global integration predates the pandemic and Russia's aggression against Ukraine. A period of rapid increase in interdependence among economies, which started in the late 1980s came to a persistent standstill with the onset of the 2007/2008 financial crisis. The discussion on industrial policy and vertical subsidies for national champions has gained momentum in the wake of the two recent shocks mentioned above. These events exposed vulnerabilities in the global supply chain, which has been one contributing factor to the persistent above-target inflation observed over the past two years. Governments on both sides of the Atlantic have responded with large-scale programs, such as the Inflation Reduction Act, the Chips Act and the Green Deal Industrial Plan. These programs, not only justified by their alleged effect on supply chain resilience but also by their purported impact on jobs, national security, and decarbonization, might indicate a new era of industrial policy.

In general, Iceland avoids such vertical measures targeted at specific sectors, industries, technologies, or even firms, with agriculture as the main exception. Instead, Iceland's approach to industrial policy is mainly twofold. First, Iceland seeks to provide firms with a stable and predictable business environment for firms to foster private investment and growth. The Government emphasizes supporting firms' competitiveness by reducing obstacles in existing regulations and ensuring that new legislation is clear and efficient. Efficiency in monitoring competition and business practices is an important factor in ensuring that consumers reap the benefits from competition. Furthermore, instead of insisting on domestic production, Iceland emphasizes adopting technologies that improve productivity and living standards.

Second, Iceland prioritizes public expenditure towards profitable public goods over attempts to centrally pick national champions or specific products or technologies deemed important in the future. Public infrastructure investment in education, research, and innovation plays a key role in preparing for evolving labor markets and in expediting decarbonization solutions.

In this regard, tax incentives for R&D expenditure have been considerably expanded over the past few years. A 2020 reform raised the annual ceiling of tax deductions on qualifying R&D expenditure to 35% and 25%, depending on a firm's size, from a common rate of 20% previously. Government support for SME R&D investment, which is needed to overcome a well-established market failure of systematically inadequate R&D, is the most generous among OECD economies.

The key reason Iceland generally opposes vertical industrial policy, although it can in certain specific cases be justified, is that in most cases it is not suitable to reach their stated objectives. Such policies should not limit international competition. Research has repeatedly shown that vertical measures likely do not create jobs, and to the extent they do it is at an astronomical cost to taxpayers. Finally, instead of making supply chains more resilient, they might have the opposite effect by politicizing them.

What has been your country's experience with (vertical) industrial policy, if any?

Despite generally avoiding vertical industrial policy measures, Iceland has some history of giving preferential treatment to certain industries and sectors, with mixed results. While many of such measures have been abolished in recent years, some of them still apply.

Like many other countries, Iceland has two VAT rates; a standard rate and a reduced rate. The reduced rate applies to goods and services such as food, including in restaurants and rental of hotel and guest rooms. In fact, 20% of such tax expenditure is due to tourism related activity. While, historically, this has not mattered much, such preferential treatment of tourism related services has become economically meaningful after the rapid growth of the industry over the past decade.

The Government has supported the transition to electric vehicles (EVs) through tax incentives. In line with the Government's objective, there has been a substantial increase in the number of environmentally friendly vehicles in recent years. However, gauging the role of tax incentives in the advancement of EVs is difficult. Both domestic and foreign research into the costs and benefits of tax incentives for EVs do not seem to suggest significant net benefits of such measures.

Given certain conditions, Iceland also reimburses 35% of film production costs in the country. The objective of the reimbursements is to support large film projects in Iceland.

The prime example of vertical measures that have been abolished is the preferential treatment given to aluminium smelters and heavy industries in the past. Large smelters used to have access to electricity at below market prices. Until 2016, they were also allowed to deduct loan repayments to parent companies from income, which resulted in the smelters paying little or no income taxes. Iceland has three large aluminium smelters which remain a key pillar of Icelandic exports.

Finally, some industries and products have historically partly been shielded by tariffs from foreign competition. Tax reforms in 2015 to 2017 saw all tariffs and excises, except on agricultural products, abolished concurrently with VAT reform. Research confirms significant consumer benefits.

How do you assess the impact of recent large scale foreign programs (US, EU) on your economy?

While there has been no formal assessment of the impact of recent and large-scale programs of the US and EU, the direct effect of those programs on the Icelandic economy are likely limited. However, as a small and open economy, Iceland's prosperity is critically dependent on the global trade environment. Therefore, although the direct macroeconomic effect of increased protectionism and nationalization of supply chains is limited in Iceland and the indirect short-term effect is likely small, the risk is that the costs accumulate over time with significant negative effects on long-term living standards. While trade dependencies could be harmful in some isolated cases, it is far from obvious those risks are significantly mitigated with less trade, more politicized supply chains, and, perhaps most importantly, less competition.

Is your country taking any measures in response to these programs?

There has been no direct response to the large-scale programs of the US and EU in Iceland. Joining the subsidy race would end up negatively affecting domestic consumers and living standards in Iceland. Instead, Iceland emphasizes the adoption of new technologies, wherever they might be produced. If we are in fact in the middle of a subsidy war, then hopefully adopting those technologies will be cheaper for Icelandic citizens than it otherwise would be.

Key figures for the Icelandic economy

(Volume growth from previous year unless otherwise noted)

	2022	2023f	2024f
Private consumption	8,5	2,3	2,2
Public consumption	2,2	2,0	1,7
Gross capital formation	7,6	2,3	3,4
Exports	22,3	8,3	3,3
Imports	19,9	5,1	2,8
GDP	7,2	4,0	2,5
Current account balance, % of GDP	-1,6	-1,1	-1,6
Unemployment, % of workforce	3,7	3,7	4,0
Consumer price index	8,3	8,7	4,9
General government overall balance, % of GDP	-3.3	-1.4	-1.1
General government Maastricht debt, % of GDP	49.7	48.4	45.0

*2023 and 2024 values are forecasts.**Sources: Statistics Iceland macroeconomic forecast, June 2023; Ministry of Finance and Economic Affairs*

Liechtenstein: Country Annex

Macroeconomic situation and outlook

After a swift and strong recovery beginning in the second half of 2020 and a boom in 2021, Liechtenstein's economy cooled down after mid-2021, with annual real GDP growth of -3% in 2022 (see Fig. 1). After this early and sensitive reaction to the beginning of the global economic cool-down, in line with Liechtenstein's usually high business cycle sensitivity to global developments, cyclical indicators in Liechtenstein reflect a slight economic recovery in the second half of 2022. Starting in Q3 of 2022, Liechtenstein's estimated quarterly real GDP growth has turned positive again, with the development over the second half of 2023 remaining uncertain given current geopolitical and economic challenges. Monthly real goods exports, important for Liechtenstein's large industrial sector, remained relatively stable over recent quarters, with a slow recovery since September 2021. Survey data capturing producer sentiment show a recovery starting in Q4 of 2022 and Q1 of 2023.

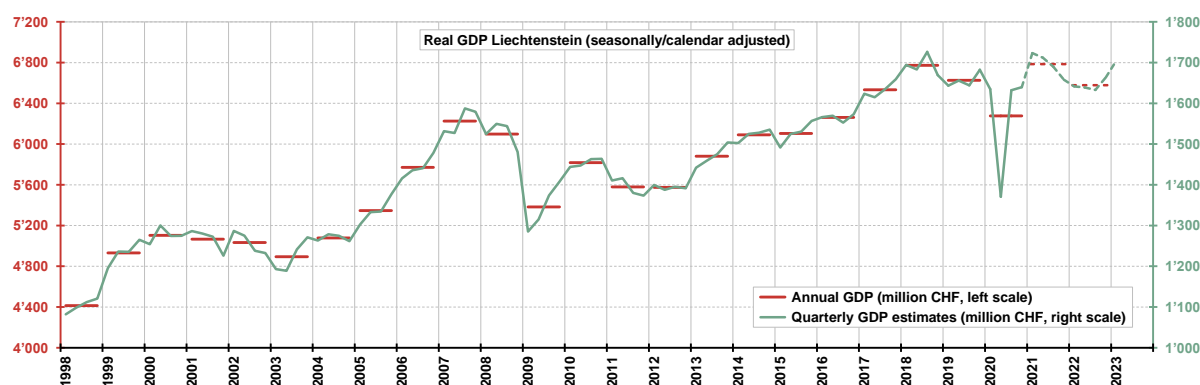


Fig. 1: Real GDP (seasonally/calendar adjusted). Current estimations show a slight positive development after the boom in 2021 (GDP +9.2%) and downturn in 2022 (-3%). Data sources: Office of Statistics, Liechtenstein Institute (price/seasonal/structural breaks adjustments, annual GDP estimate 2022, quarterly GDP estimates 1998–2023).

Economic policy

Committed to a lean and liberal economic environment, the state of Liechtenstein largely restricts itself to creating sound general legal and policy conditions. Public market interventions are rare, as illustrated by low public spending (22.6% of GDP in 2021) and public revenue (21.3%). The rare exception to Liechtenstein's general abstention from anticyclical fiscal policy were the supply-side measures taken to stabilize production capacity in the COVID-19 recession. These measures have been fully phased out. The minor role played by subsidies and taxes on production/imports in Liechtenstein's economic policy is illustrated by an

international comparison of subsidies as a sub-component of the national accounts system (including the agricultural sector, see Fig. 2). The complete picture on the actual levy on the production (net transfers) including taxes on production and imports underlines Liechtenstein's commitment to low market intervention: While the subsidies in relation to GDP in Liechtenstein (1.7%) were slightly below EU average (1.8%), the GDP ratio of taxes on production and imports (-6.6%) is about one third of the EU level (-18.9%). Liechtenstein's net transfers on production are the second lowest in the country set (-4.8%), second only to Switzerland (-2.7%).

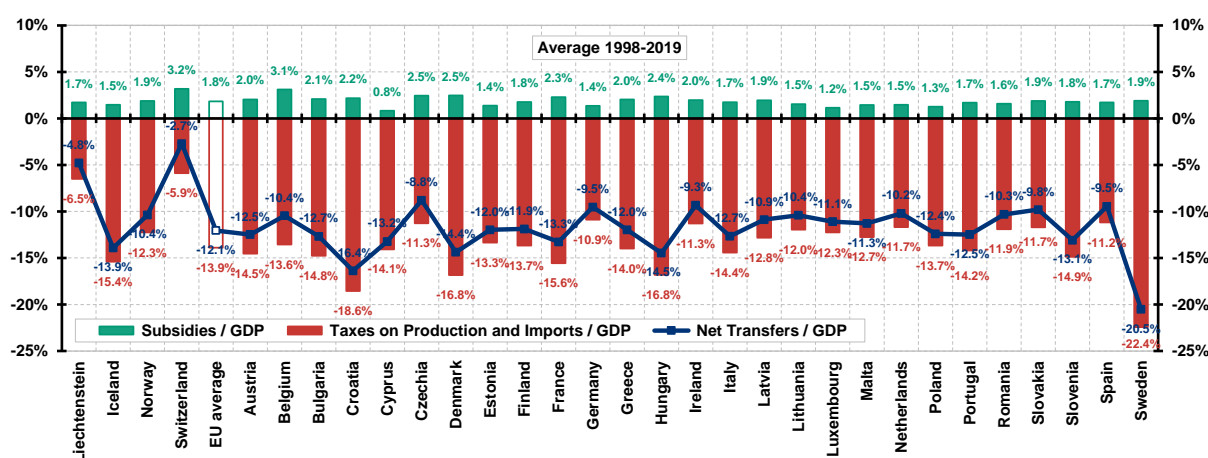


Fig. 2: International comparison of subsidies, taxes on production and imports and net transfers in terms of GDP (average 1998-2019), showing the historically low use of governmental intervention of Liechtenstein compared to the EU27 and EFTA States. Data sources: Office of Statistics, Eurostat, Liechtenstein-Institute (structural break adjustments).

The way forward - challenges and opportunities

Liechtenstein's economy is characterized by a small domestic market, heavily reliant on exports. If the current worldwide monetary tightening, the disruptions in energy markets and the geopolitical situation more generally triggered a broad global recession, a strong negative response of the Liechtenstein economy along the lines of historically high business cycle sensitivity is to be expected. If current international GDP forecasts with only slightly above zero growth were to hold, a sideward-movement of Liechtenstein's economy – expressed in a real GDP growth rate 2023 of roughly 0% (2022: -3%) – is likely.

While Liechtenstein exhibits a high amplitude of business cycle volatility, employment and business activity remained resilient over the past decades. The financial and insurance sector, with an important contribution of around 11% of the Liechtenstein GDP, benefits from a number of structural characteristics, including high capital and liquidity reserves important for

guaranteeing loss absorption capacity and hence stability in times of crisis. Public finances, characterized by zero debt and large financial reserves, have remained remarkably sound in Liechtenstein. The preservation of high financial reserves to cushion for unforeseen shocks are generally uncontroversial among all political parties in parliament. The public budget has achieved continuous surpluses between 2014 and 2021. In 2022, the overall public budget was negative, primarily due to the unfavorable financial performance of invested reserves, whereas the primary budget remained positive. Government will propose a balanced budget for the coming years subject to uncertainty in light of the expected economic downturn.

In recent decades, Liechtenstein's government has focused on promoting a stable and secure economic environment by ensuring legal certainty, the protection of private property and freedom of business. Liechtenstein intends to remain on this path. Recognizing that free trade is a key success factor in particular for small and open economies, the goal of Liechtenstein's economic policy is to avoid increasing trade distortions and undermining the market-based search for solutions to achieve the green and digital transition.

Liechtenstein's EEA membership is a core pillar of its economic strategy. Any developments of EU industrial and economic policy will have an impact on the Single Market and the EEA with all its members, for whom it is therefore important to take a stance and be heard.

Key figures for the Liechtenstein economy

	2017	2018	2019	2020	2021	2022	2023 (second quarter)
Direct exports growth (without Switzerland)*	1.0%	7.6%	-4.6%	-16.4%	22.9%	-7.3%	+3.2%
Direct imports growth (without Switzerland)*	1.1%	1.7%	-0.9%	-17.0%	12.6%	2.9%	+19.7%
Gross domestic product (GDP), m CHF	6 375	6 545	6 396	6 014	6 568		
GDP change from previous year	3.7%	2.7%	-2.3%	-5.9	+9.2		
Consumer price inflation ¹¹	0.5%	0.9%	0.4%	-0.7%	0.6	2.8%	
Employment growth	3.2%	2.5%	2.4%	-0.7%	2.5%	2.8%	
Share of persons employed by economic sectors:							
- Agriculture and forestry	0.6%	0.6%	0.6%	0.6%	0.7%		
- Manufacturing	37.5%	37.4%	36.5%	36.1%	35.3%		
- Services	61.9%	61.9%	62.9%	63.2%	64.1%		
Unemployment rate ¹²¹³	1.9%	1.7%	1.5%	1.9%	1.6%	1.3%	1.3%
Youth unemployment rate ¹⁴¹⁵	2.6%	2.1%	1.5%	1.8%	1.5%	1.1%	1.4%
Public Surplus/ Deficit (+/-), million CHF	189	200	244	446	177		
Public Surplus/ Deficit (+/-), in % of GDP	3.1%	3.0%	3.8%	7.4%	2.7%		
Public expenditure quota, in % of GDP	20.5%	20.3%	21.8%	26.3%	22.6%		

* Nominal growth rates. / 2022 is QoQ.

¹¹ For 2017, 2018, 2019 and 2020: Annual average. For 2022: Second Quarter 2022: MoM..

¹² For 2017, 2018, 2019 and 2020: Annual average. For 2021: Rate as of August 31.

¹³ Registered unemployed

¹⁴ Registered unemployed

¹⁵ For 2017, 2018, 2019 and 2020: Annual average. For 2021: Rate as of August 31.

Norway: Country Annex (Draft 2)

Economic outlook

The Norwegian economy has passed its cyclical peak, but wage and price growth remain high. Going forward, we estimate that employment will remain high and unemployment low. Inflation is expected to decline, but it will take time before it returns to its 2 per cent target, cf. table 1.

Higher interest rates and inflation are expected to dampen demand in the Norwegian economy and lead to a decline in household consumption and housing investment in 2023. In 2024, positive real wage growth is expected to boost household consumption, while housing investment will continue to decline. At the same time, we expect the improvement in the international competitiveness of Norwegian businesses caused by the Norwegian krone depreciation to boost activity in the Norwegian economy going forward.

We expect capacity utilisation in the Norwegian economy to decline somewhat in the coming years, although unemployment in 2024 is still expected to remain below the average of the last 20 years.

Financial stability and financial market policy

Norwegian banks are well capitalised. Since the global financial crisis in 2008, Norwegian banks' common equity tier 1 (CET1) capital ratio has more than doubled. Banks recorded healthy profits and return on equity in 2022, and profitability has continued to increase in the first half of 2023. Rising interest rates has increased banks' net interest margin. Norwegian banks are highly digitalised, and their cost level is low compared to European peers. Low costs, limited loan losses, and increased net interest income have contributed to bank profitability.

Elevated real estate prices and high household debt are the most important vulnerabilities in the Norwegian financial system. Several measures have been introduced in recent years to limit the risks. This includes a systemic risk buffer of 4.5%, so-called floors on average risk weights for real estate exposures prevent unjustifiably low risk weights, and there is as of March 2023 a countercyclical buffer requirement set to 2.5%. Moreover, a borrower-based mortgage regulation includes caps on the loan-to-value ratio and debt-to-income ratio. The regulation was recently amended to better reflect the increased interest rates.

Fiscal policy stance

The Norwegian fiscal guideline states that over time Fund spending must be in line with the expected real return on the Government Pension Fund Global (GPF), estimated at 3 per cent. At the same time, fiscal policy shall contribute to a stable development in the Norwegian economy, both in the short and long term.

The size of the Fund and its mounting importance in financing the welfare state mean that the fiscal policy is more vulnerable to permanent reductions in Fund value than before. Fund spending is estimated to cover more than 20 per cent of fiscal budget expenditure in 2024. This is significantly more than in the years before the Covid pandemic, and this share has doubled since 2012. Fiscal policy must be implemented in a way that ensures foreseeable reductions in

the fund's market value will not necessitate large cuts in the budget expenditures or an increase of taxes, particularly not in a situation with a recession in the real economy.

To counteract the risk of having to substantially tighten fiscal policy and thus reinforce the fluctuations in the economy if there is a large decline in share prices, spending from the fund should in normal times be well below 3 per cent.

Under the Government's fiscal budget proposal for 2024, Fund spending, measured as a percentage of mainland Norway trend GDP, is projected to be 10.3 per cent. See Table 1. This represents a change from the previous year, also known as the fiscal impulse, of 0.4 percentage points. Fund spending is projected to be 2.7 per cent of the GPFG at the start of the year.

Main new policy reforms in Norway

The Norwegian tax system is based on broad tax bases, low rates, equal treatment of industries, types of enterprises and investments, and symmetrical treatment of income and expenditure. A special feature of the Norwegian tax system is considerable use of resource rent taxes (an extra tax in addition to corporate tax). Resource rent taxes are levied on the profits generated by petroleum extraction, hydropower and, as of 2023, for aquaculture. Tax on greenhouse gas emissions is, along with the EU Emissions Trading System (ETS), the main policy tool in Norwegian climate policy. The use of environmental taxes in Norway is extensive, including when compared with industrialized countries in and outside of Europe. Virtually all use of fossil energy in Norway is priced through taxes and/or the emissions trading system. In 2023, the standard tax level on non-ETS greenhouse gas emissions is NOK 952 (about EUR 80) per ton of CO₂ equivalents. The Government has announced a carbon price of approximately 200 euro per ton CO₂ emission under the effort sharing regulation by 2030.

Reflections on the New Industrial Policy Approaches

*National approach to industrial policy*¹⁶

Exposure to international competition in a rules-based and open trade environment supported by our participation in the Single Market, has been key to productivity and welfare growth in Norway.

The Government's main approach to industrial policy is to ensure that companies have predictable and stable framework conditions that facilitate private investment and growth. This means among other things a neutral tax regime in line with international conditions, a flexible and inclusive labor market, a strong educational system that fosters high skilled workers, a predictable and transparent regulatory regime and necessary infrastructure.

Norway generally avoids supporting specific industries, products and technologies, with agriculture as an exception. The framework for Norway's policy in these areas is in line with the strict state aid rules and competition rules that we share with our EU and EEA/EFTA partners and are laid down in the EEA Agreement.

¹⁶ Excluding Agriculture and fisheries

The ongoing international debate on economic security is also taking place in Norway, acknowledging that the trading environment is increasingly complex.

Sector wide measures such as taxes and quotas are the main measures which we rely on in the climate change policies. Tax on greenhouse gas emissions is, along with the EU Emissions Trading System (ETS), the main policy tool in Norwegian climate policy. These are supplemented with other measures to remove barriers and correct for market failures such as temporary support for research, innovation and demonstration of new technologies. This is in line with the broad international consensus that the social value of investing in research often exceeds the commercial value for the single player.

A large share of allocations to research, innovation and demonstration of new technologies is granted to projects with a positive effect on climate and environment. The various measures are designed to ensure strong competition between technologies and/or projects and are frequently evaluated. This set-up reduces the risk of over-compensation and aims at allocating money to projects with high expected value for society.

The Norwegian government seeks to foster a green transition of the economy, including green industries and an energy system for the future.

The Government has put forward a roadmap for its Green Industrial Initiative, the most recent of which is The Roadmap 2.0. The roadmap describes a variety of ambitions and measures, including i.a. streamlining of licensing procedures for renewable energy infrastructure, prioritizing Norwegian participation in specific EU programs, ensuring that colleges and universities can meet the green industries demand for a competent work force, and tuning of public measures for financial risk sharing.

Even though Norway emphasizes sector wide measures in climate change policies, The Green Industrial Initiative gives special attention to some key industries for developing an emission-free economy (offshore wind, batteries, hydrogen, carbon capture and storage, process industry, manufacturing, solar energy, sustainable forestry and bioeconomy and maritime industries). This includes support to innovative battery projects and instruments to reduce risks in green investments.

In line with the temporary relaxation of the EU state aid rules in Temporary Crisis Framework from 2022 (TCF) and Temporary Crisis and Transition Framework (TCTF), Norway has temporarily helped out businesses in connection with the corona crisis and the energy crisis. Further, ESA has approved a Norwegian investment scheme that aims at developing renewable energy generation by supporting investments in floating offshore wind.

The Green Alliance between the EU and Norway, signed in April, prepares the ground for further cooperation on climate, environment, energy, and industrial transformation. The alliance will strengthen Norway's contribution to the green transition in Europe and at home. It can also contribute to enhanced bilateral cooperation on concrete green projects.

Experiences on state-aid policies in Norway

While grants to research, innovation and demonstration of new technologies are economically sound, experience has taught us that the use of subsidies also can be costly, distortive and hamper economic growth. Subsidies run the risk of moving resources in directions that are less optimal to the overall economy. When market failures exist, subsidies can be justified on economic grounds if the benefit of action exceeds the cost of intervention.

Experience from Norway and other countries in the seventies and eighties shows that it is difficult for the state to pick winners. State aid have in many cases deteriorated the national competitiveness. There are good reasons to let the market assess profitability and risks for various commercial investment opportunities. This contributes to better allocation of capital and that risks are carried by those who expect future profits.

Norwegian state ownership and state-aid have changed over time. During the nineties, state ownership was reorganized with clear-cut roles and responsibilities. Strict and transparent processes and regulations were implemented. The administration of subsidy schemes were delegated to professional institutions with clear and transparent mandates. These reforms were partly due to new EU-rules and regulations as we joined the EEA agreement.

The impact on the Norwegian economy of industrial policy initiatives

Norway supports a stable and rules-based global trade system. The gains from global trade are immense, not at least for small, open economies. However, the dependencies that stem from trade could in some cases be harmful, as the EU import of Russian gas was a clear example of.

Although we currently do not have in-depth information about how the Norwegian economy will be affected by ongoing initiatives in the US and the EU, the macroeconomic effects are likely to be limited. Norwegian firms and consumers will, however, be affected in different ways. On the one hand, foreign subsidies of technology development, can give Norwegian firms and households access to cheaper or better technology further down the road. Simultaneously, it can hamper Norwegian players' prospects for developing equivalent or competing technology, especially if the foreign program requires local content.

The impacts on the Norwegian economy, also depend on Norway's formal position vis a vis the foreign program in question. Concerning the IRA, the Government has had a close dialogue with the US and the EU about the trade policy consequences. Even if IRA offers positive opportunities for investment and collaboration in a number of business sectors, there is a concern about certain elements, inter alia the requirement for local content and production, which would effectively exclude Norway-based production activity from contributing to building resilient supply chains among allies and partners. Norway has therefore called for sufficient flexibility especially when it comes to the critical mineral requirement and the battery component requirement.

Norwegian response to USIRA and EU initiatives and the global fragmentation

Norway welcomes green initiatives from partner countries that will contribute to speed up technology development, lower costs of green solutions and to reduce global emissions of greenhouse gases. Also, Norway is spending significant fiscal resources on research, innovation and demonstration of new green solutions.

Both the EU and US are focussing on how to deal with vulnerabilities in supply chains and access to critical materials. Norway as well is monitoring the situation. The Norwegian Government's initial view is that measures to promote domestic production to secure supply of critical material should be considered very carefully. Good cooperation amongst allied trading-partners is core.

The Norwegian Government has drawn up its preliminary positions on EUs Critical Raw Materials Act (CRMA) and the Net-zero Industry Act (NZIA). The Government shares the overreaching ambition of the proposed acts. Norway is a major producer and exporter of critical raw materials and the CRMA's emphasis on circularity and sustainability is in line with Norwegian policy. Equally, the EU's initiative to improve the investment environment for net-zero manufacturing projects, is a priority to the Government, and is reflected in the Green Industrial Initiative.

The European Chips Act, which aims to bolster Europe's competitiveness and resilience in semiconductor technologies and applications, is also subject to an assessment of EEA relevance and possible EEA adaptations.

Open and free trade is an important part of Norwegian contingency strategy. Close relations to allied trading-partners is important in this regard. Norway is therefore closely following the trade relations and solutions that is being established between US and EU as a result of the IRA. Assessing EUs response to the situation is of high priority to us, as a part of our obligation in the EEA agreement.

It is Norwegian practice not to respond to the use of trade-restrictive measures internationally and we will continue the work to pursue the multilateral rule-based trade system and discuss the best ways to promote the green transition and a robust economy.

Table 1 – Key figures

Main aggregates for the Norwegian economy. Percentage volume change from the previous year, unless stated otherwise.

	Billion NOK ¹				
	2022	2022	2023	2024	2025
Private consumption.....	1 806,4	6,9	-1,0	0,5	2,2
Public consumption.....	1 037,2	0,1	2,1	1,4	-
Gross investment in fixed capital.....	1 095,5	4,3	-0,5	-1,5	0,4
Of which: Petroleum extraction and pipeline transp.	176,0	-6,5	9,1	2,3	-6,2
Businesses, mainland Norway.....	448,8	14,5	2,3	-1,9	-2,4
Housing.....	232,1	-1,4	-15,0	-4,0	15,6
Public sector.....	237,8	1,2	0,4	-0,5	-
Mainland demand ²	3 762,2	4,9	-0,5	0,1	1,8
Exports.....	3 100,6	5,9	4,8	3,8	3,0
Of which: Crude oil and natural gas.....	1 972,9	0,3	3,9	4,1	1,6
Mainland exports.....	947,0	9,4	5,3	3,4	3,7
Imports.....	1 521,5	9,2	1,9	1,3	1,7
Gross domestic product.....	5 570,7	3,3	1,0	1,1	1,9
Of which: mainland Norway.....	3 570,9	3,8	0,6	0,8	1,9
Other key figures:					
Employment, persons.....		3,9	1,3	0,1	0,5
Unemployment rate, LFS (level).....		3,2	3,5	3,7	3,7
Unemployment rate, registered (level).....		1,8	1,8	2,0	2,1
Annual wage.....		4,3	5,5	4,9	-
Consumer price index (CPI).....		5,8	6,0	3,8	2,5
CPI-ATE.....		3,9	6,4	4,1	2,7
Crude oil price, USD per barrel (current prices).....		99	78	73	71
Three-month money market rates, pct. ³		2,1	4,2	4,8	4,3
Import-weighted exchange rate, annual change. ⁴		1,2	6,5	-1,8	0,0
Structural non-oil fiscal deficit as % of mainland GDP		9,5	9,9	10,3	-

¹ Provisional figures from the national accounts in current prices.

² Excluding inventory changes.

³ Assumption used in calculations based on forward prices.

⁴ Positive figures indicate weaker NOK.

Sources: Statistics Norway, OECD, IMF, international central banks, national sources, Norges Bank, the Norwegian Labour and Welfare Administration, Reuters and the Ministry of Finance.