

# GDP-growth as expected, oil investments on the rise

- Mainland GDP rose by 0.5% from Q1 to Q2. Norges Bank expected 0.7% in MPR 2-18
- Oil investments are expected at 165.1bn NOK in 2019, a 16.5% rise from the Q3 count last year
- We continue to expect a rate hike in September, although Norges Bank is likely to revise down GDP-forecast for 2018

**Assessment:** Growth in mainland Norway was in line with our expectations, but below Norges Bank's expectations and we expect the central bank to revise down the forecast for 2018-growth. Growth in mainland industries excluding electricity was 0.9%, indicating that underlying growth is stronger than the headline figure. Therefore we don't expect this to change the central bank's view that the upturn in the Norwegian economy is continuing. The oil investments survey indicates strong growth in oil investments next year, but the increase of 16.5% from last year looks a bit too high, as many new fields lifted the expectations for last year towards the end of the year. In total, these figures will not change Norges Bank's plan to hike the policy rate to 0.75% in September.

**Details:**

**Mainland GDP** increased by 0.5% from Q1 to Q2. Norges Bank projected 0.7% in its June-MPR. Consensus (Bloomberg) and we expected 0.5%. Growth in Q1 was revised down from 0.6% to 0.4%. Total GDP rose by 0.4% from Q1 to Q2. Electricity production fell by 7.8%, and mainland businesses excluding electricity rose by 0.9% in Q2 after a 0.5% rise in Q1.

Private consumption increased by 1.1% from Q1 to Q2. We expected growth at 0.9% due to an expected 1.5% pick-up in goods consumption. Goods consumption rose by 1.5%, while service consumption increased by 0.7%. Gross investments rose by 5.4% due to a 13.1% rise in oil investments and a 4.1% rise in mainland businesses. Net exports pulled down growth by 0.6%, and stocks subtracted 0.6% from growth.

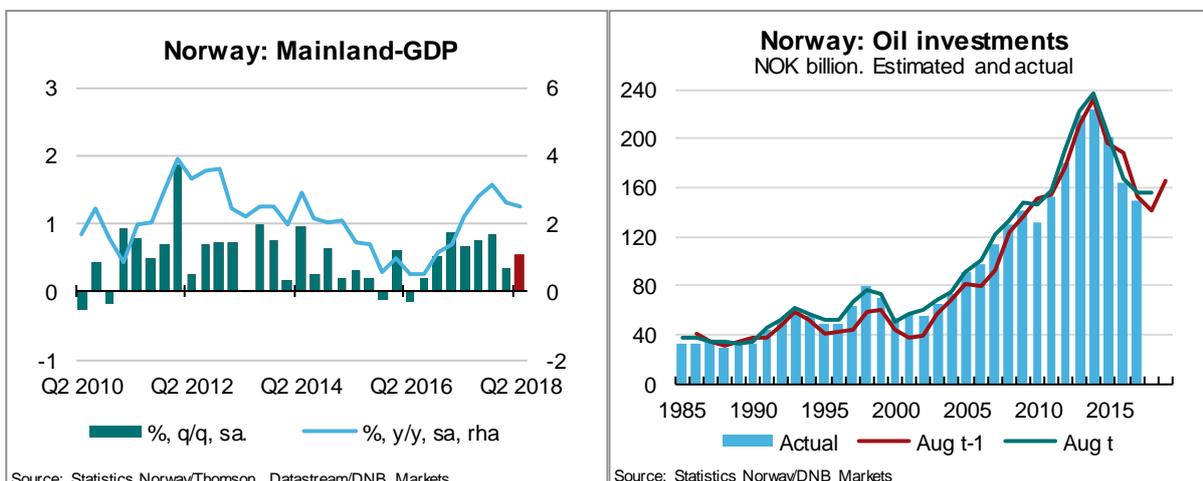
See table below for more details on GDP-figures.

**The oil investment survey** showed that oil companies expected investments of 165.5bn NOK in 2019. We had expected 157.0bn NOK for this survey. The estimate for 2019 is 16.5% higher than the estimate for 2018 given in Q3 last year. Both an increase in investments in existing fields and field development lifted the figure. Norges Bank projected oil investments to increase by 8.9% in 2019 in volume terms (the survey is in value terms) in its last MPR.

The oil investment survey for 2018 showed that oil companies in Q3 expected investments of NOK 156.3bn. We expected 157.0bn. The projections for 2018 are 0.4% higher than the estimate for 2017 given in Q3 last year.

**Market reactions:** EURNOK fell 1-2 øre after the publication

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**Norway Quarterly National Accounts. Per cent change. Seasonally adjusted.**

	Per cent, q/q				
	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Private consumption	0.5	0.6	0.7	0.1	1.1
Public consumption	0.6	0.6	1.3	0.0	0.4
Gross fixed capital formation	0.3	0.0	1.3	-6.4	5.4
Petroleum investment	2.8	-8.9	12.2	-14.1	13.1
Mainland Norway	-0.3	1.7	0.0	-4.8	4.1
Mainland companies	-6.2	8.4	-2.2	-6.0	7.2
Housing	-0.5	0.9	-5.4	-2.6	-4.6
Public	10.5	-7.9	10.3	-5.3	8.5
Exports	1.1	-1.2	-2.1	0.6	1.5
Traditional goods	4.1	1.3	1.1	-0.8	0.5
Oil and natural gas	1.9	-1.5	-6.1	-1.4	1.5
Imports	1.0	-0.4	1.9	-2.0	4.3
Traditional goods	2.7	0.4	2.4	-0.6	3.2
GDP	0.8	0.7	0.1	0.2	0.4
GDP excl. oil and shipping	0.7	0.7	0.8	0.4	0.5
Net trad. exports, contr. GDP	-0.1	0.1	-0.4	0.0	-0.6
Stocks contribution to GDP	0.3	0.6	0.5	1.0	-0.6

Sources: Statistics Norway/Thomson Datastream/DNB Markets.

## DNB Markets Macro Analysis

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