MARKETBEAT

NORWAY ECONOMIC SNAPSHOT

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Q2 2009

NORWAY FINALLY HITS RECESSION

With a quarterly contraction in GDP of 1.0%, Norway finally entered technical recession. However, including the oil industry (excluded from the economic summary table), the downturn was a less severe -0.4%, as a result of strong levels of investment in the sector. Nevertheless, for the mainland economy, a sharp decline in investment in Q1 was one of the key reasons for the slowdown.

INDUSTRIAL SECTOR UNDER PRESSURE

The manufacturing and industrial sectors have been hit by the fall in global demand, and a significant degree of spare capacity has now opened up in these sectors. Industrial production was down by 4.1% in April, and while confidence has increased, data on new orders do not point to an imminent rebound in activity.

CONSUMER OUTLOOK STILL WEAK

Consumer confidence has improved since hitting historic lows in the last quarter of 2008. However, annual retail sales growth is still negative, and inflation of 3.0% in May is doing little to increase consumer spending power. Furthermore unemployment is likely to rise from April's rate of 3.1%, and therefore an annual contraction in consumer spending is still expected.

BASE RATES MAY HAVE REACHED TROUGH

June's 25bp base rate cut came as something of a surprise given the consensus view that rates would remain unchanged. However, with the base rate now down to 1.25% and growth prospects for next year improving, it is unlikely that the central bank will deem it necessary to make further cuts. However, some feel that while Norway is likely to recover faster than the Eurozone, the potential for a slower turnaround could keep rates low for some time.

OUTLOOK

The recession forecast for 2009 has now arrived, although it has so far been markedly less severe than that seen elsewhere in Europe. All the same, weak external demand will hamper the manufacturing and oil industries, while domestic demand will also be subdued. All the same, initial indications suggest that the combination of rapid monetary policy easing and strong fiscal policy measures is bringing benefits – if not in outright increases in consumer spending, then at least in relatively strong real income growth. As a consequence, while a recovery in external demand clearly requires an improvement in the outlook for the rest of Europe, the Norwegian economy may still be able see a relatively quick return to growth via improvements on the domestic side.

MARKET OUTLOOK

GDP:	Contraction still expected for 2009, but prospects for 2010 improving	→
INFLATION:	Likely to ease somewhat from current levels	↘
INTEREST RATE:	Interest rates are unlikely to but cut further	↘
EMPLOYMENT:	Unemployment rising, but still comparatively low	↘

ECONOMIC SUMMARY

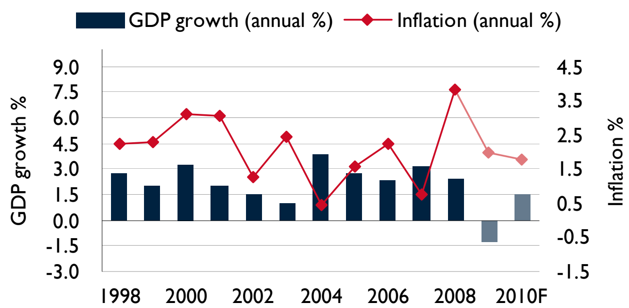
*Economic Indicators**	*2006*	*2007*	*2008*	*2009F*	*2010F*
GDP growth (MAINLAND)	4.6	6.0	2.4	-1.3	1.5
Unemployment rate (%)	3.5	2.1	2.6	4.0	5.0
Inflation	2.3	0.8	3.8	2.0	1.8
Consumer spending	4.4	6.5	1.3	-0.3	2.8
Investment	7.2	9.8	3.4	-8.0	-1.9
Manufacturing production	4.4	4.0	3.0	-6.0	1.6
NOK/US$ (average)	6.41	5.86	5.64	6.51	5.91
NOK/Euro (average)	8.05	8.02	8.22	8.64	8.18
Interest rates: 3mth NIBOR (%)	3.1	5.0	6.2	2.6	2.0
Interest rates: 10yr (%)	4.1	4.8	4.5	3.4	3.6

**annual % growth rate unless otherwise indicated. E estimate F forecast*
Source: Consensus Economics Inc., Economist Intelligence Unit

ECONOMIC & POLITICAL BREAKDOWN

Population	4.8 million (mid-year, 2008)
GDP	US$ 450.0 billion (2008)
Public sector balance	19.6% of GDP (2008)
Parliament	Coalition: Labour Party, the Socialist Left Party, & the Centre Party
President	King Harald
Prime Minister	Jens Stoltenberg
Election dates	September 2009 (Parliamentary)

ECONOMIC ACTIVITY



Source: Cushman&Wakefield LLP. 2009

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