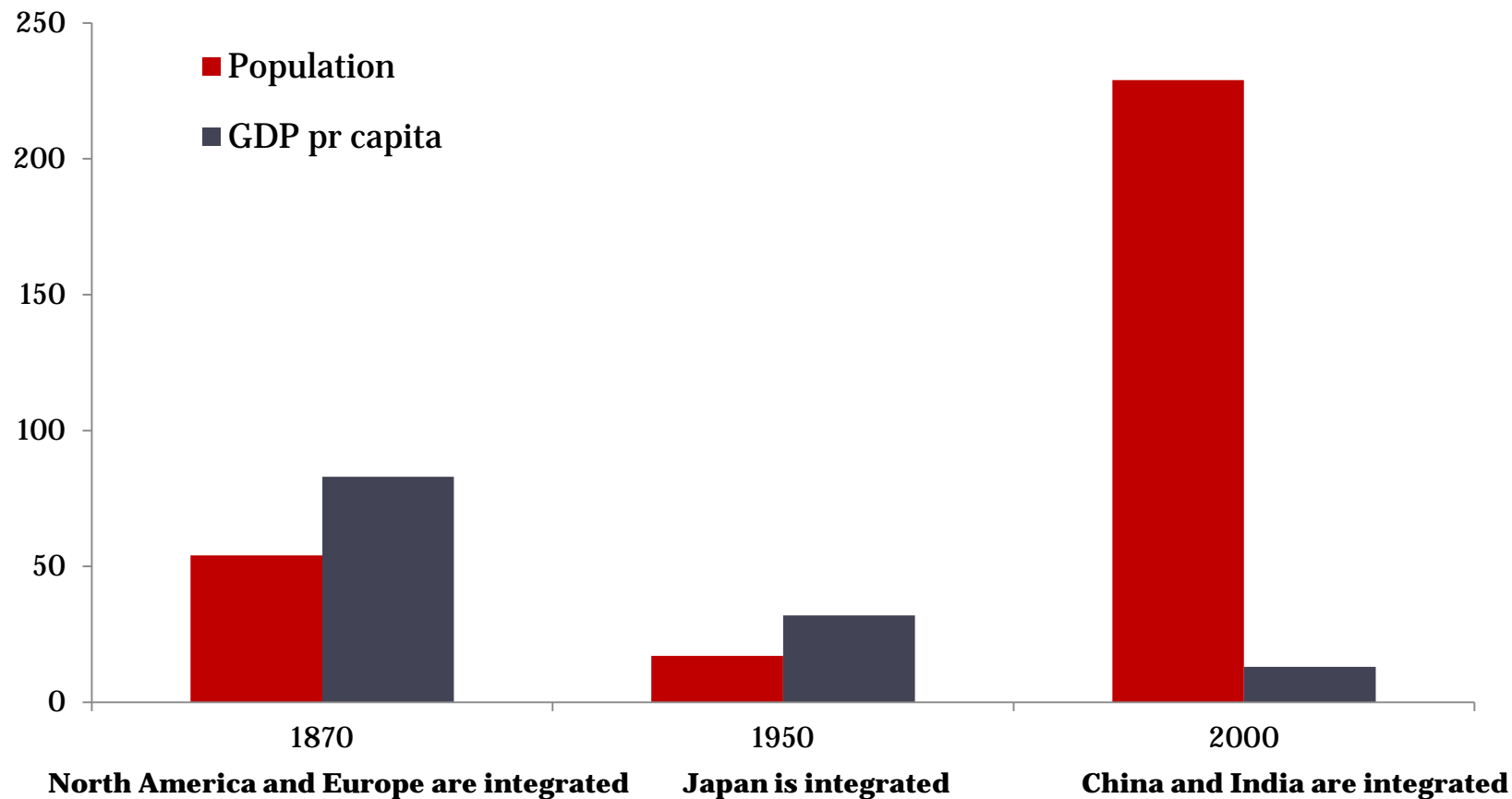


Asia - driver of global growth and commodity prices - Implications for resource rich economies

The Norwegian Embassy, Beijing 22 May 2014

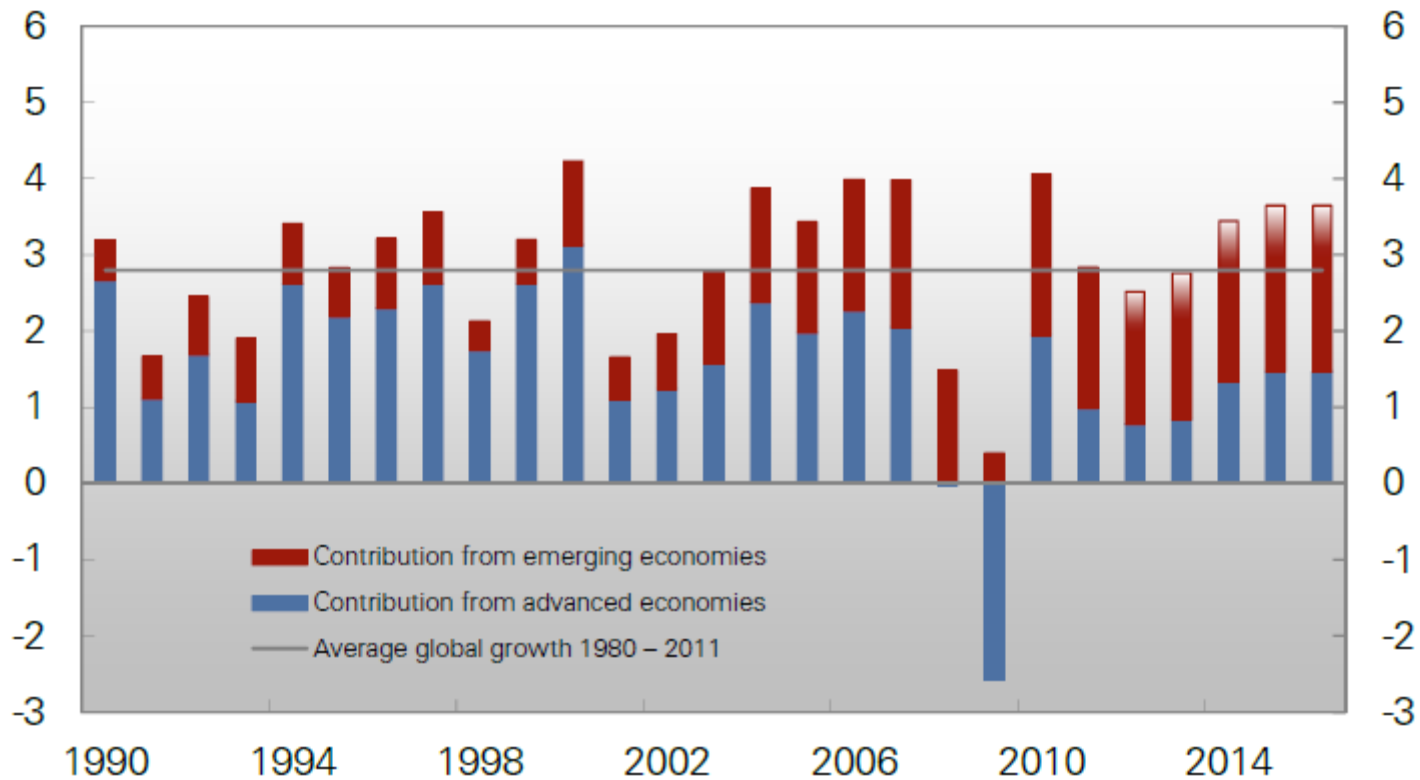
Hilde C. Bjørnland

Periods of globalisation, percent



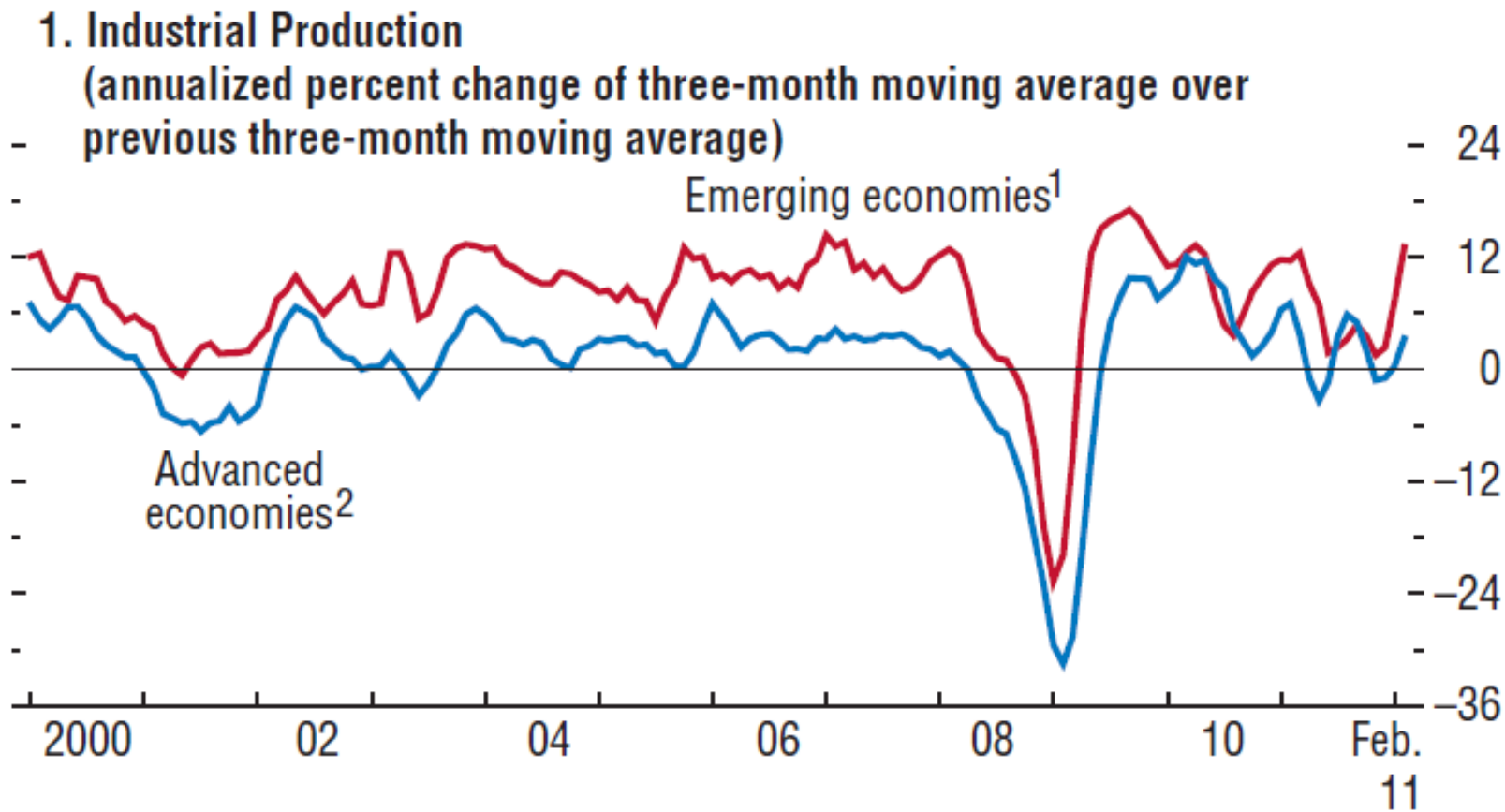
Two speed world...

Global GDP - Weighted to reflect each country's share of global output measured in a common currency



Sources: IMF and Norges Bank

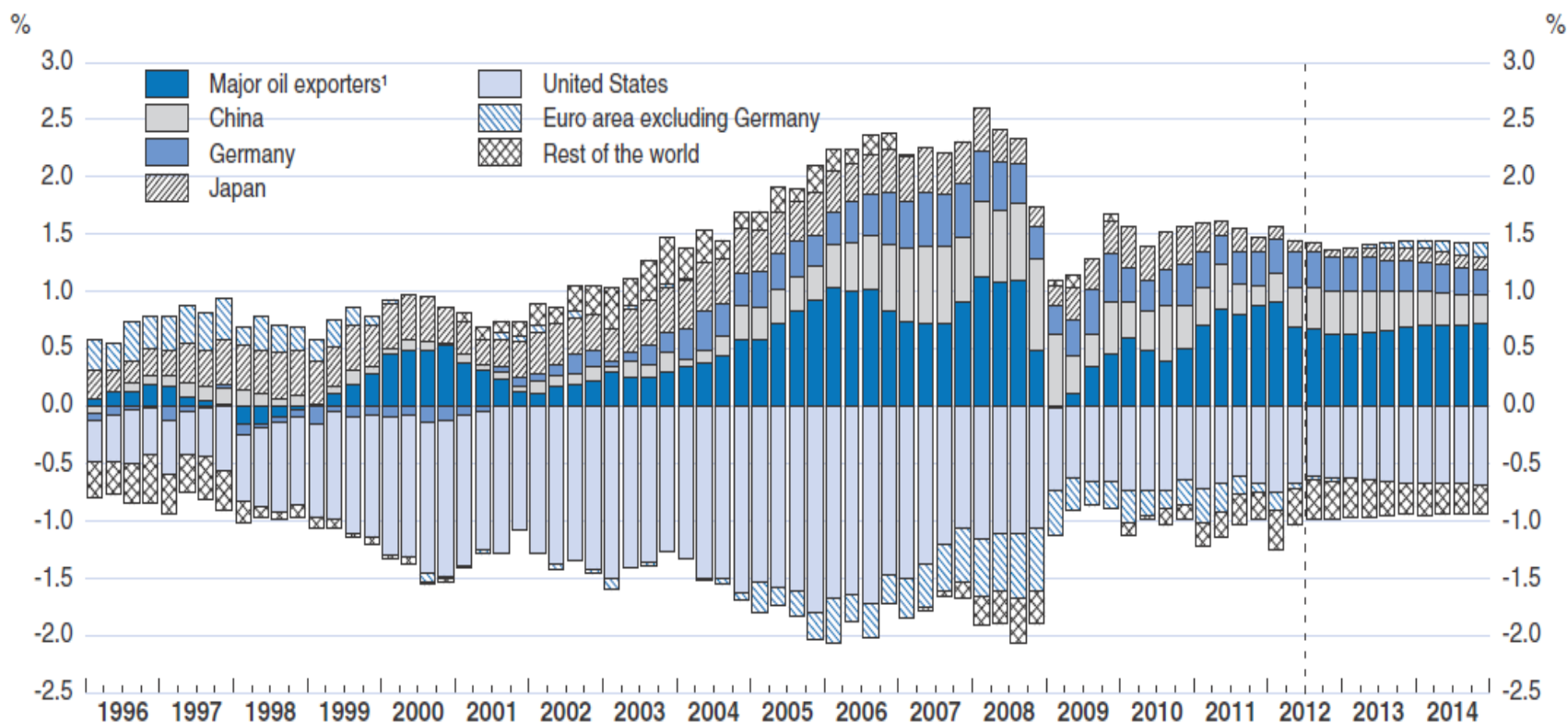
Two speed world...



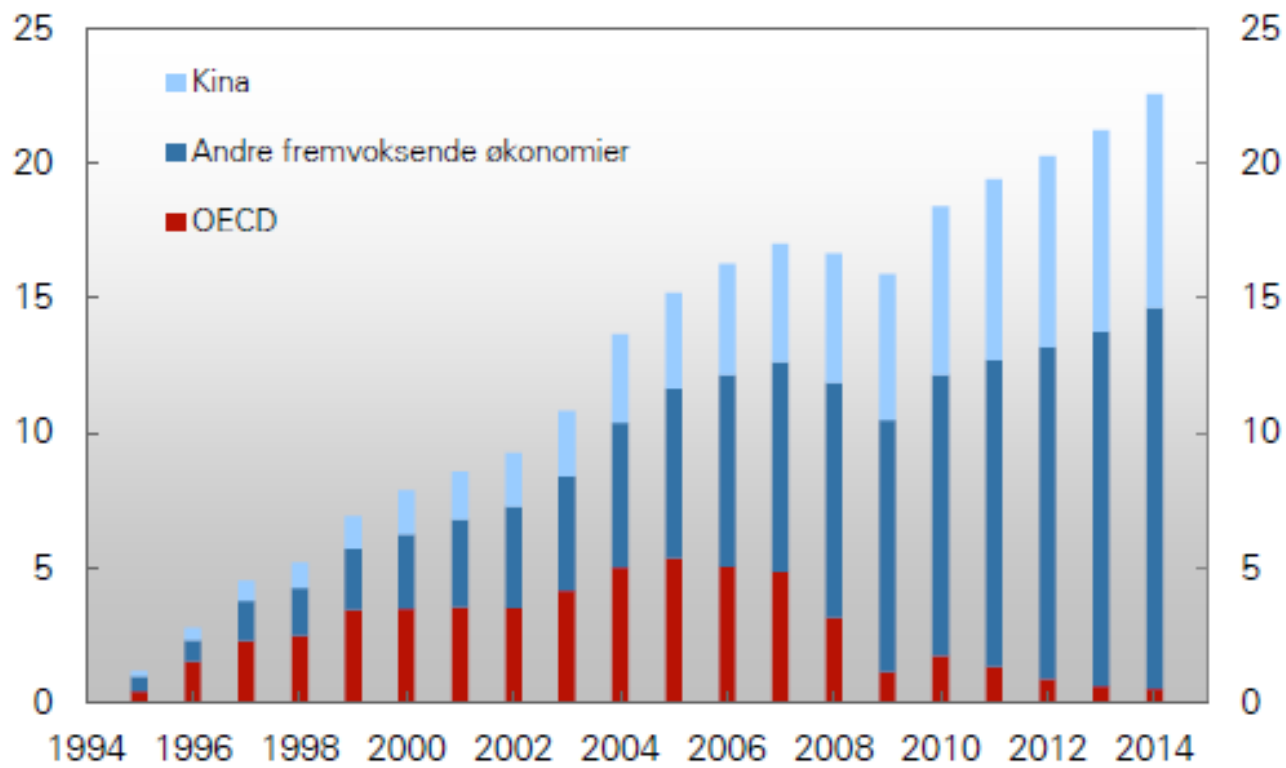
Source: OECD

Global imbalances

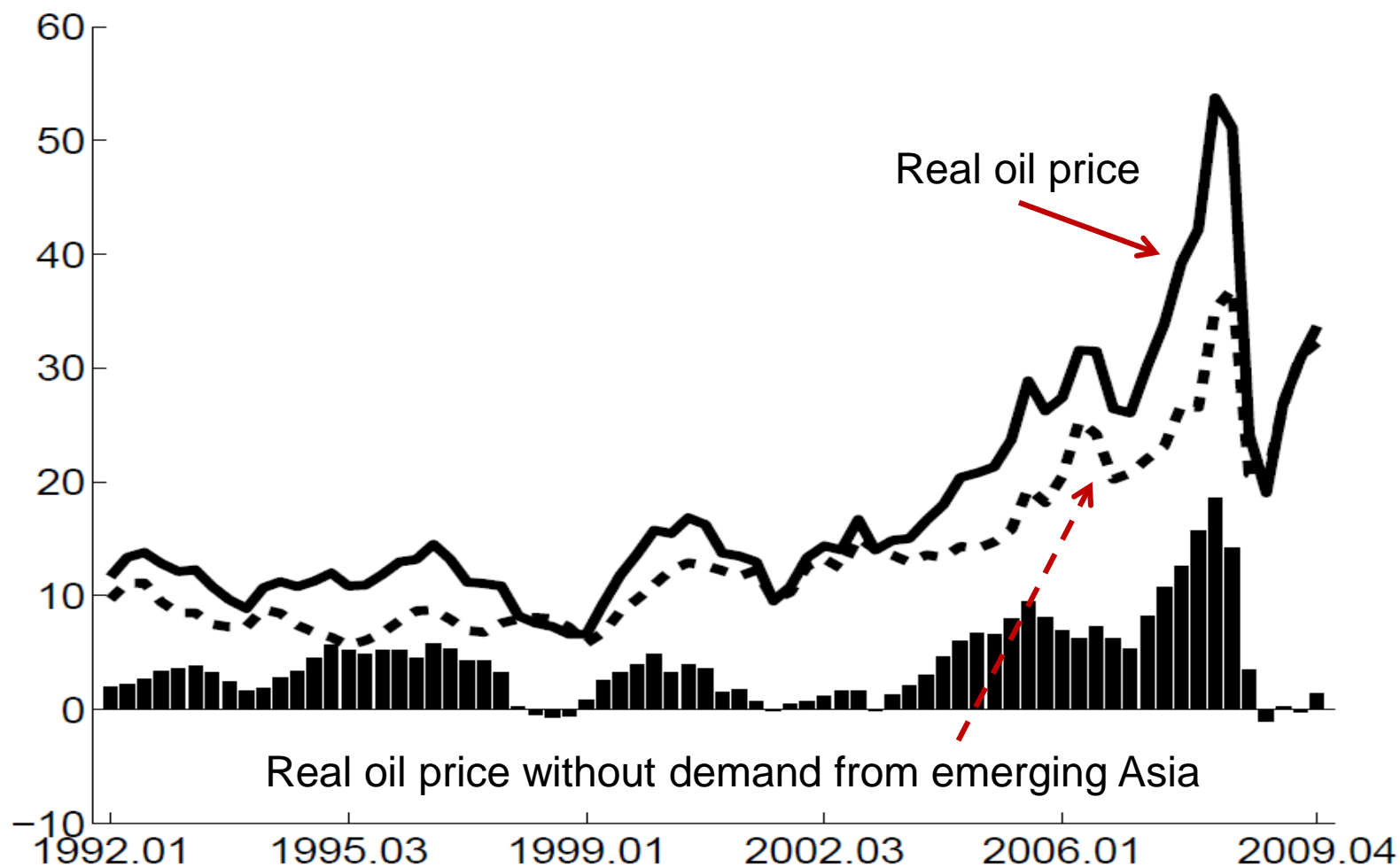
Current account balance, in per cent of world GDP



Emerging Asia drives oil prices (through demand for oil)



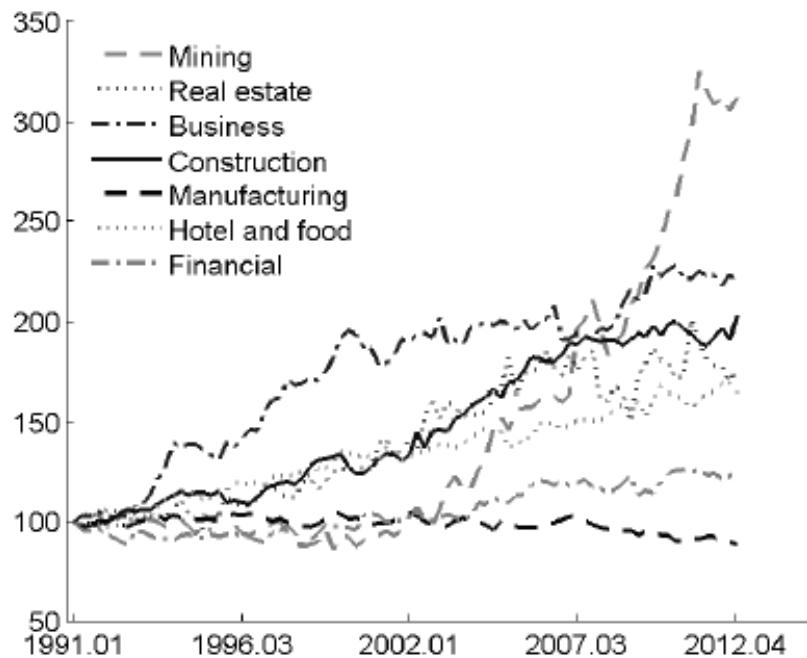
The big 'emergence' and real oil price



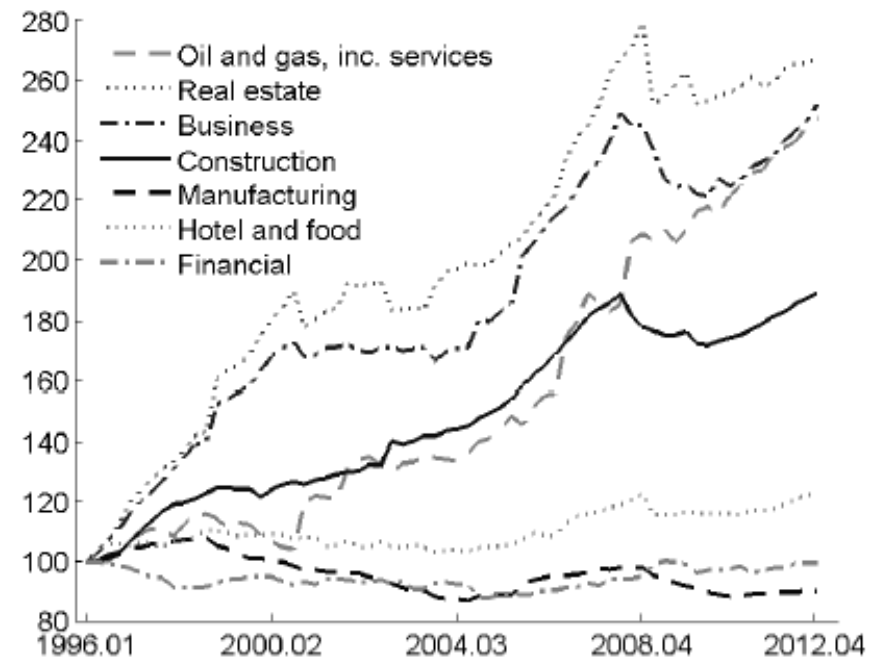
Two speed in resource rich economies

Two speed sectoral employment

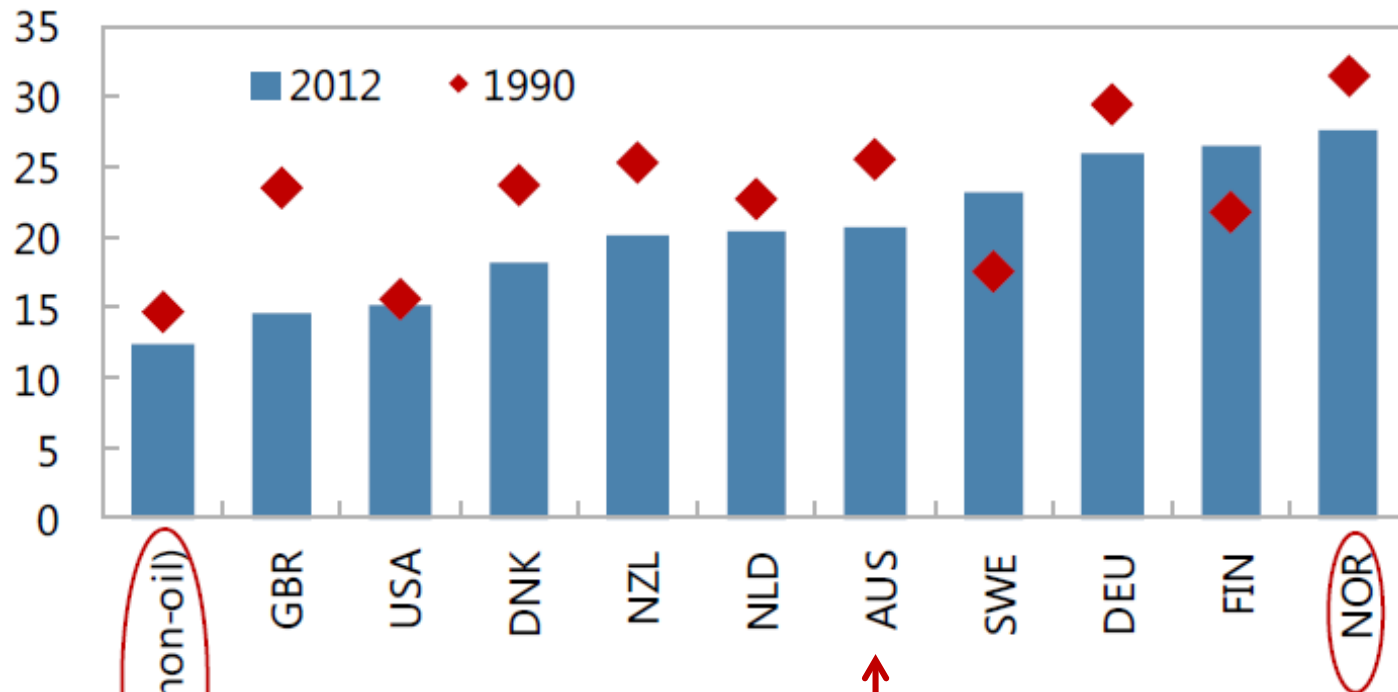
Australia



Norway



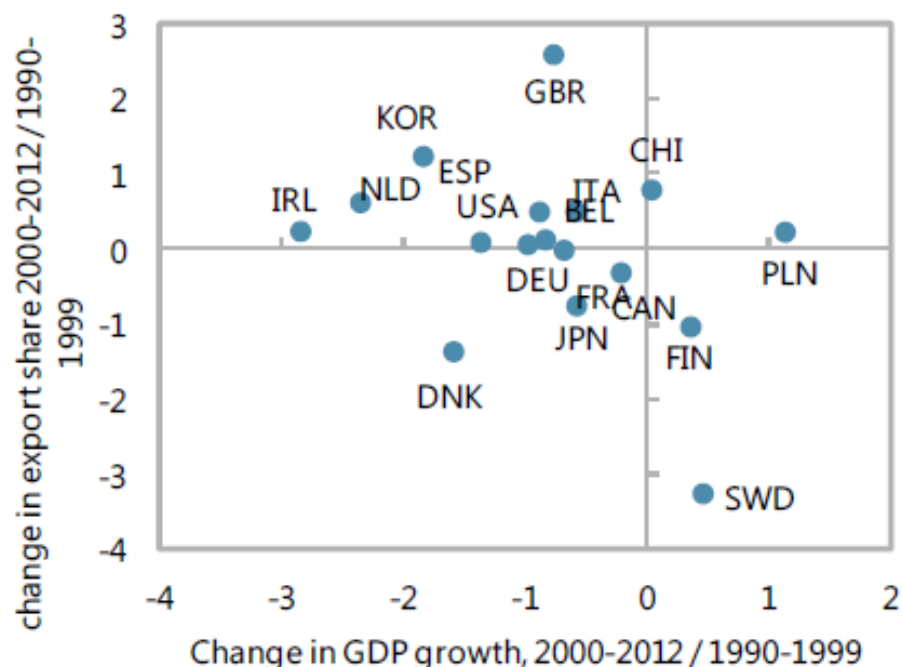
Exposed to trade: Share of tradable sector in Gross Value Added (percent)



Sources: Eurostat, National Statistical Offices, and IMF staff calculations.

Norway's trading partners

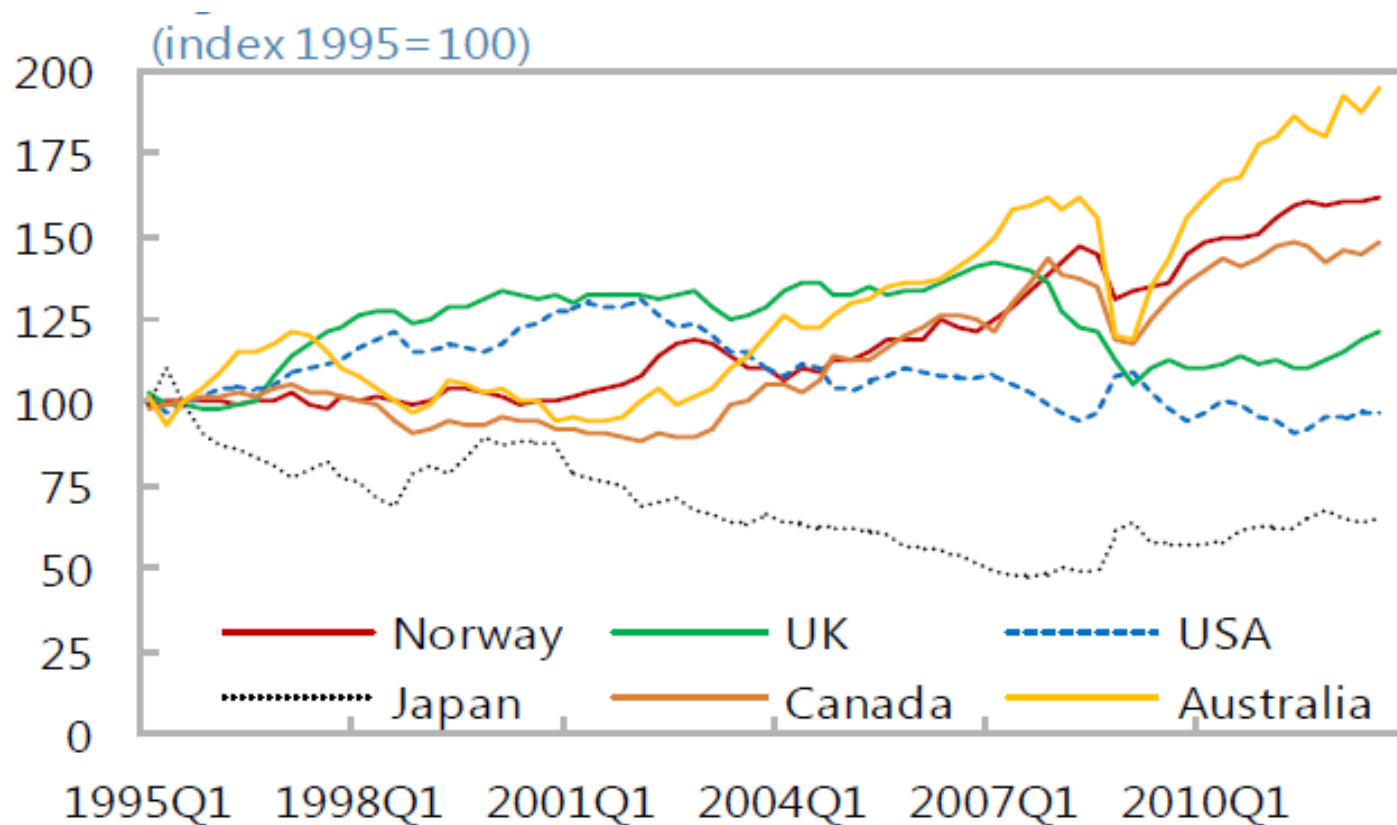
- covering 90 pct of trade



Sources: IMF Direction of Trade Statistics, IMF World Economic Outlook, and IMF staff calculations.

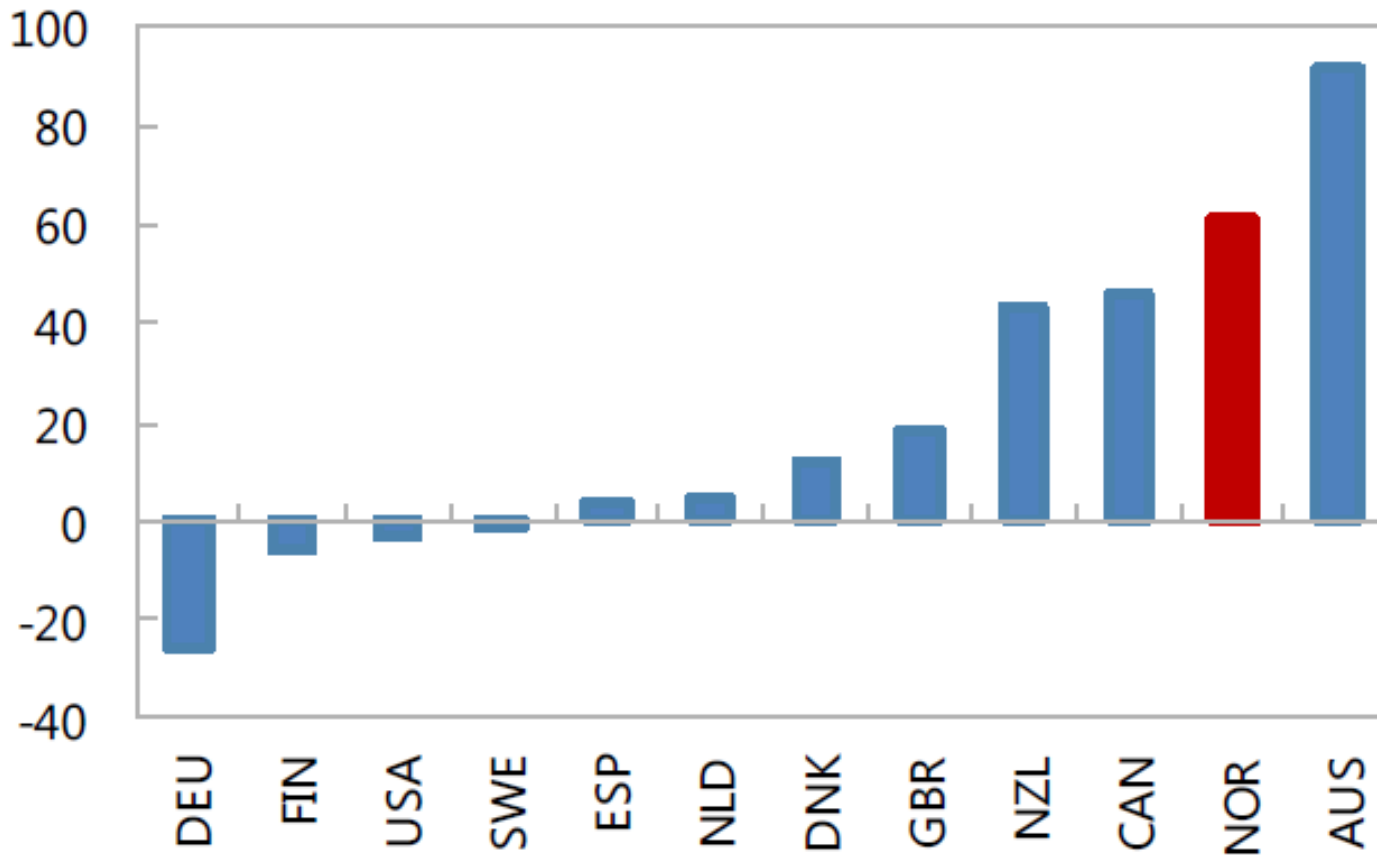
Norway's share increases, trading partner having lower growth	Norway's share increases, trading partner having higher growth
Norway's share decreases, trading partner having lower growth	Norway's share decreases, trading partner having higher growth

Demand for commodities in Asia and commodity exchange rates (RER ULC based)

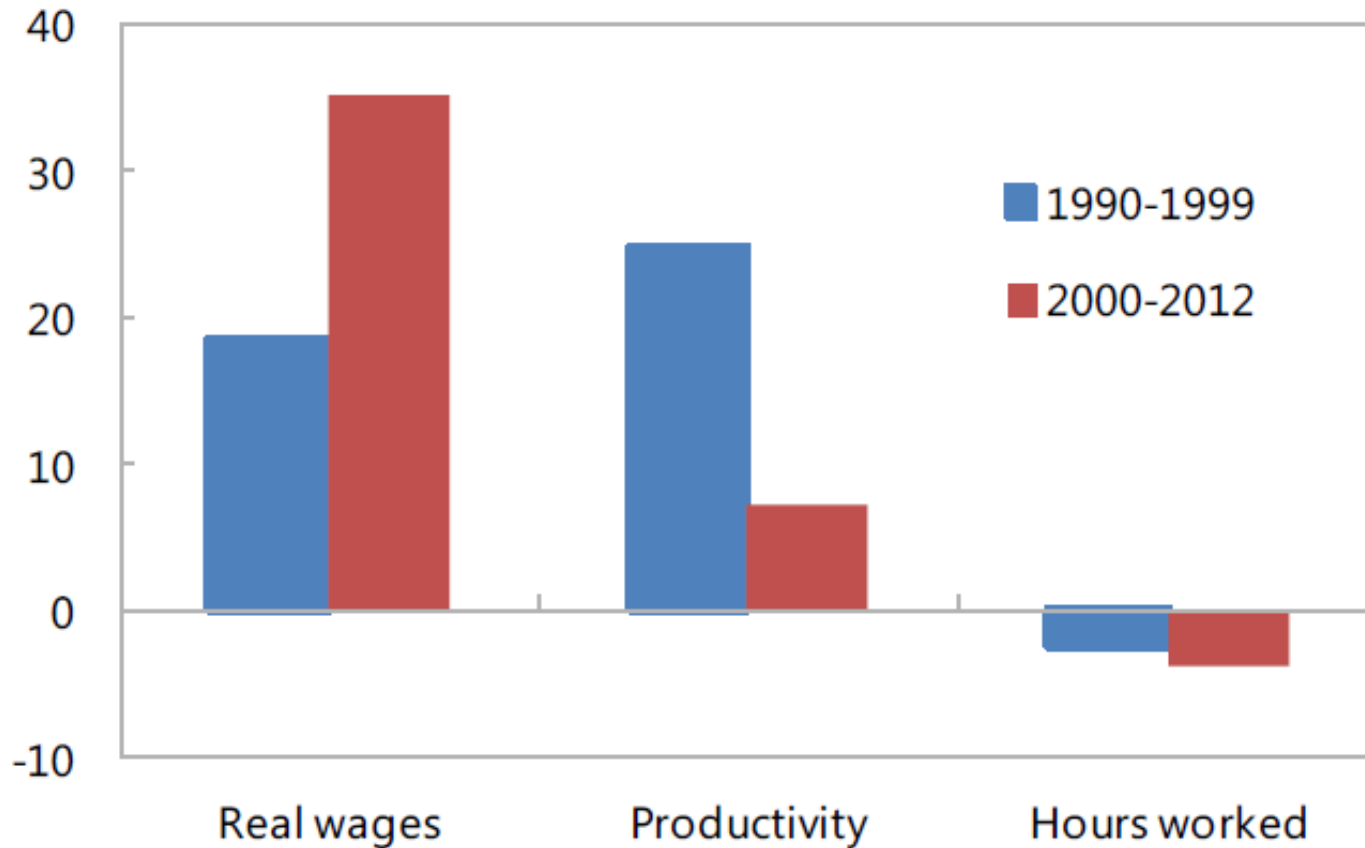


Sources: Price and Cost Competitiveness database and IMF staff calculations.

Change in REER-ULC based, 1995-2012

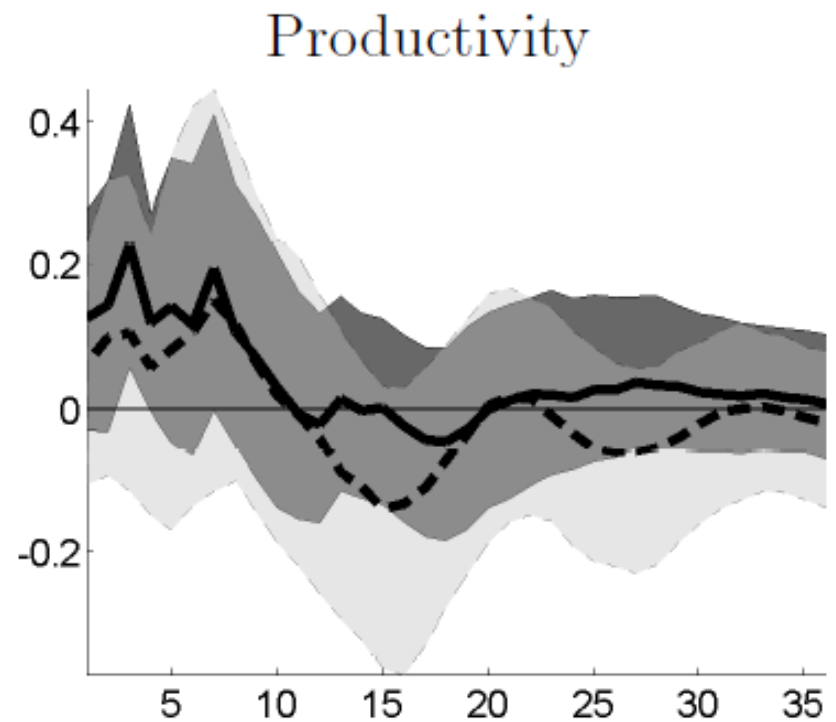
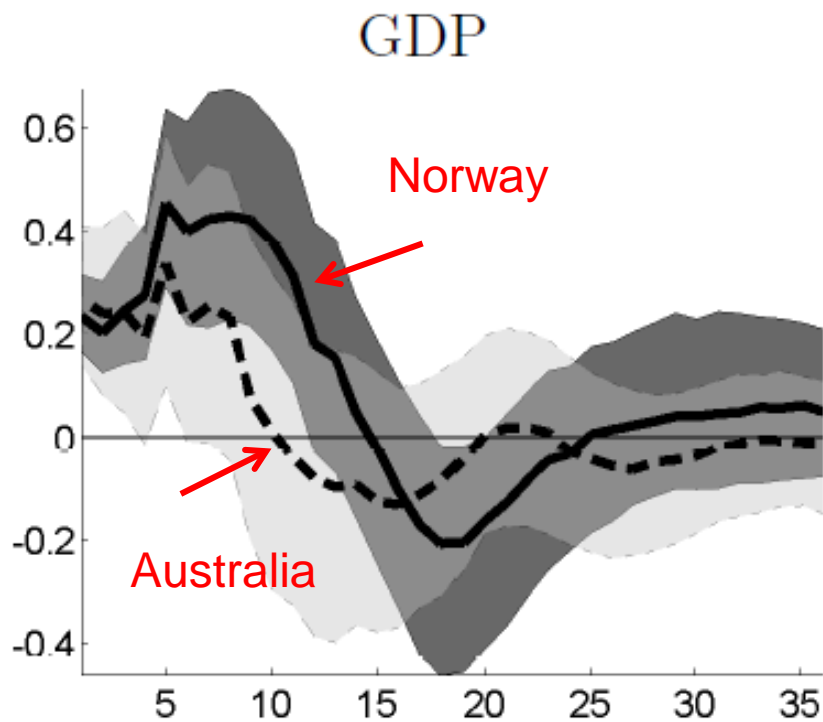


ULC sub components, Norway



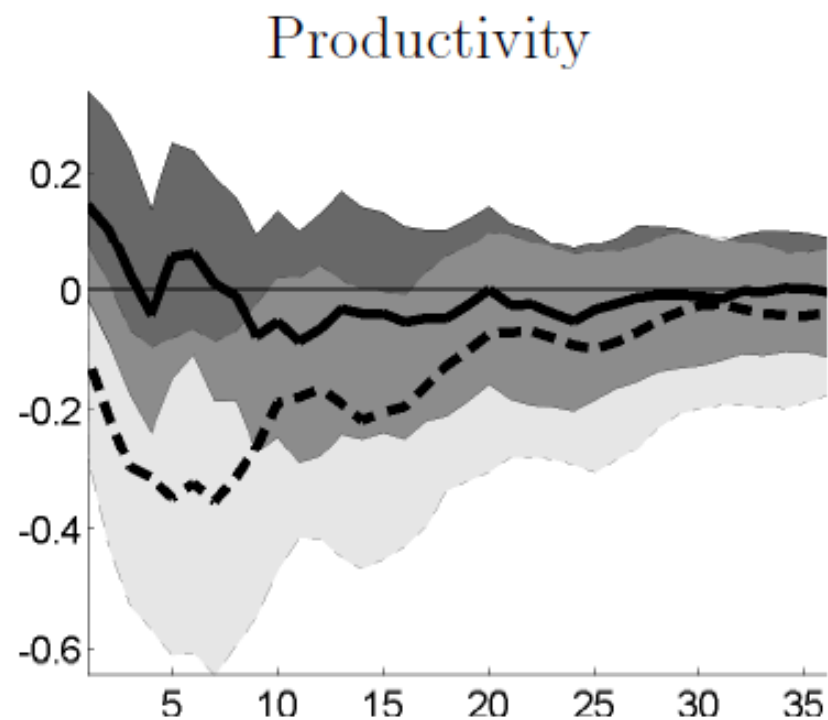
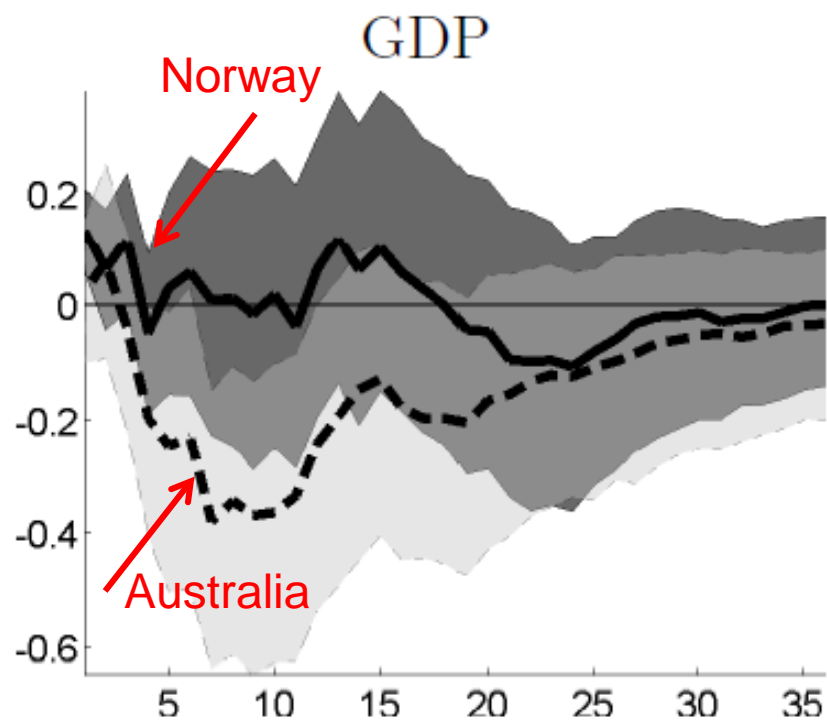
Sources: AMECO and IMF staff calculations.

Resource gift and domestic impulses



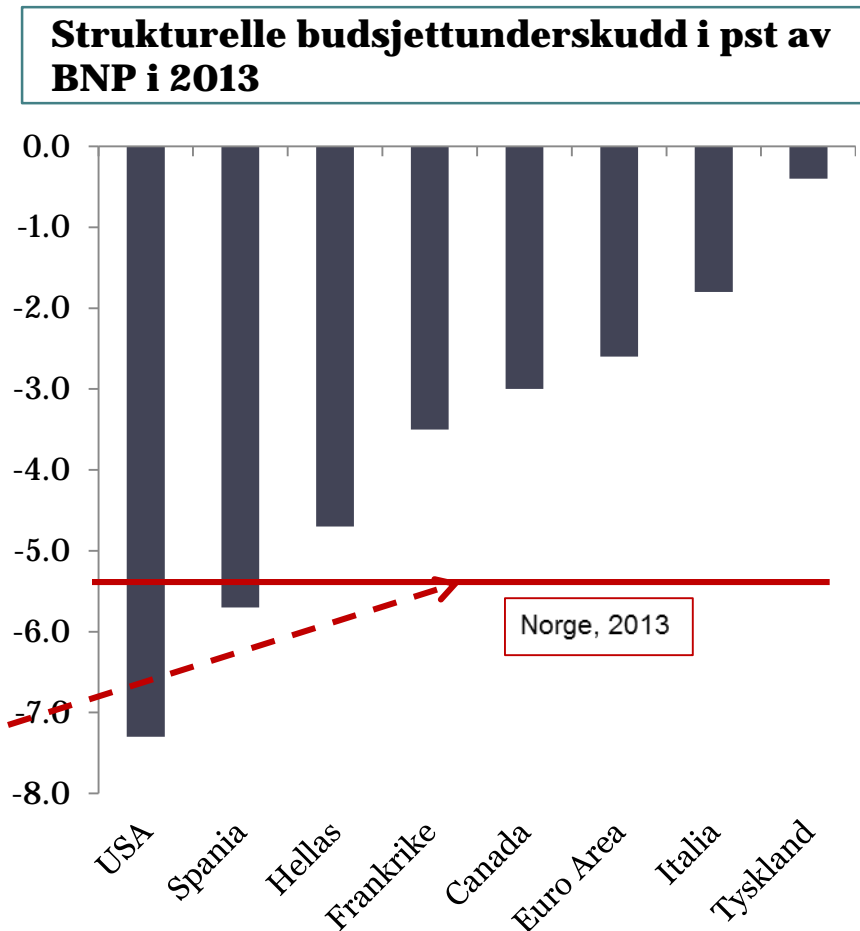
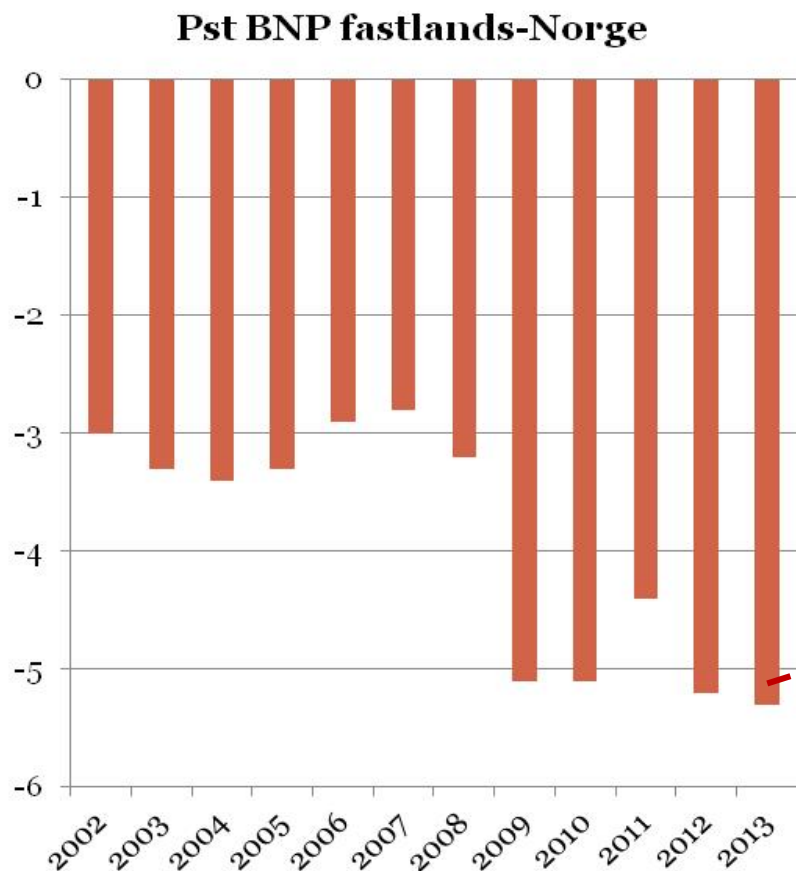
Source: Bjørnland and Thorsrud (2013)

Commodity price and domestic impulses

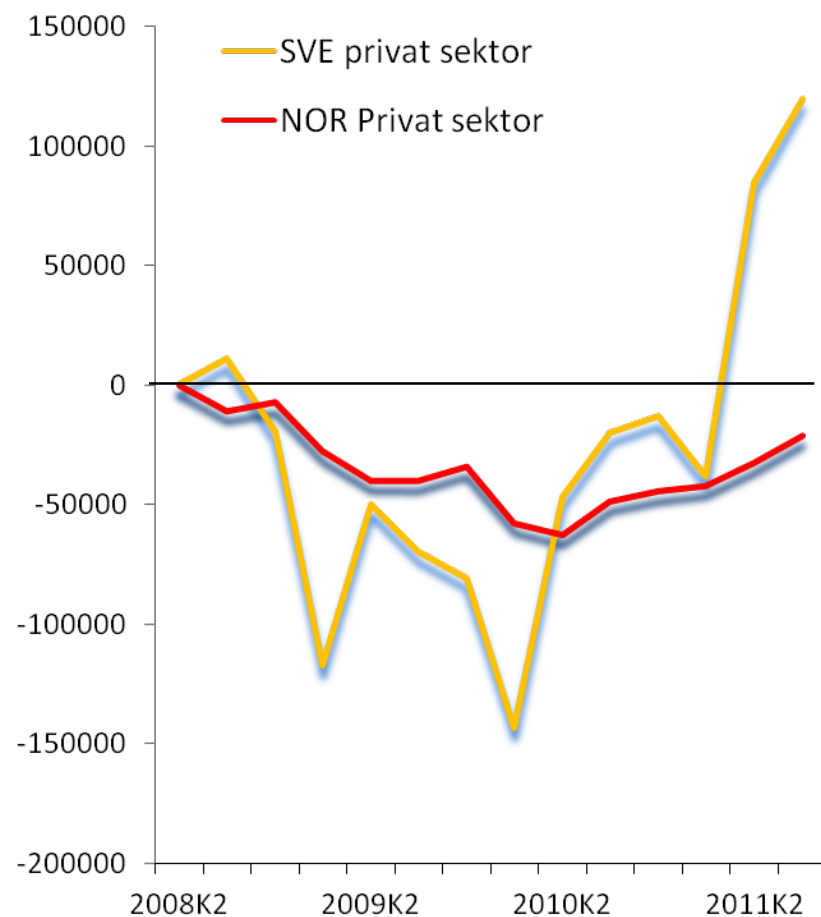
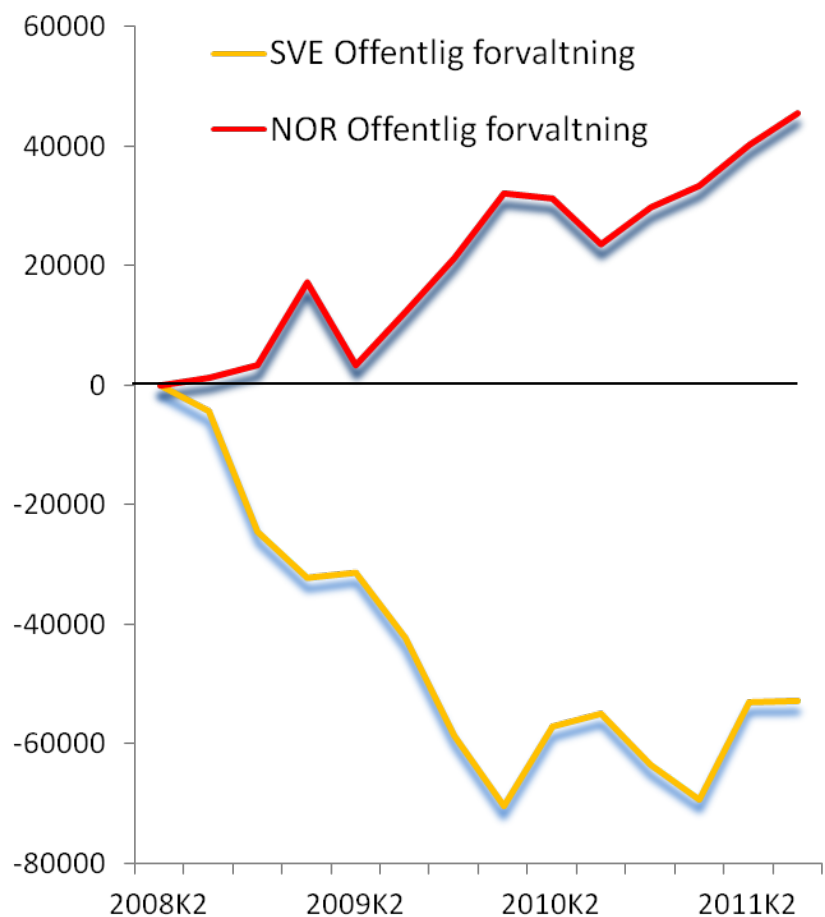


Source: Bjørnland and Thorsrud (2013)

Budget deficit (ex oil) in Norway versus selected countries



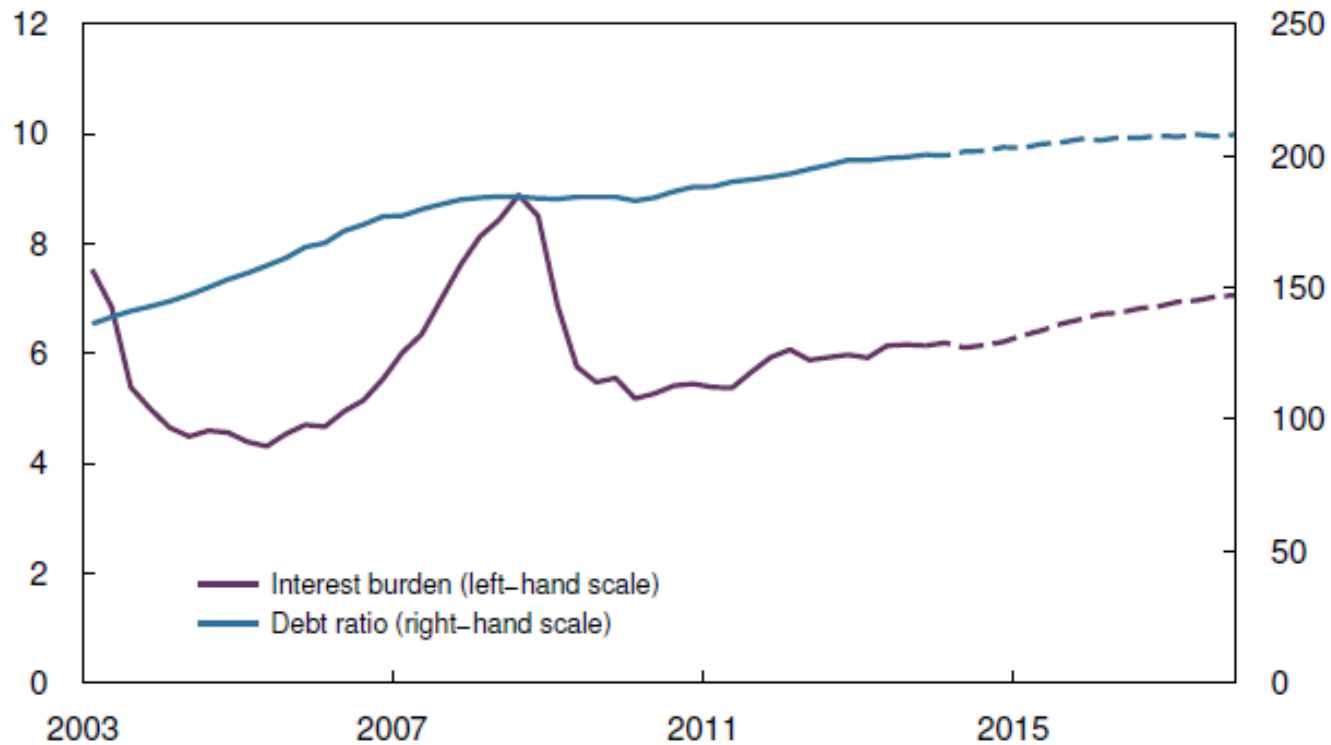
Change in employment during the financial crisis; Norway and Sweden



Kilde: SSB, SCB og egne beregninger

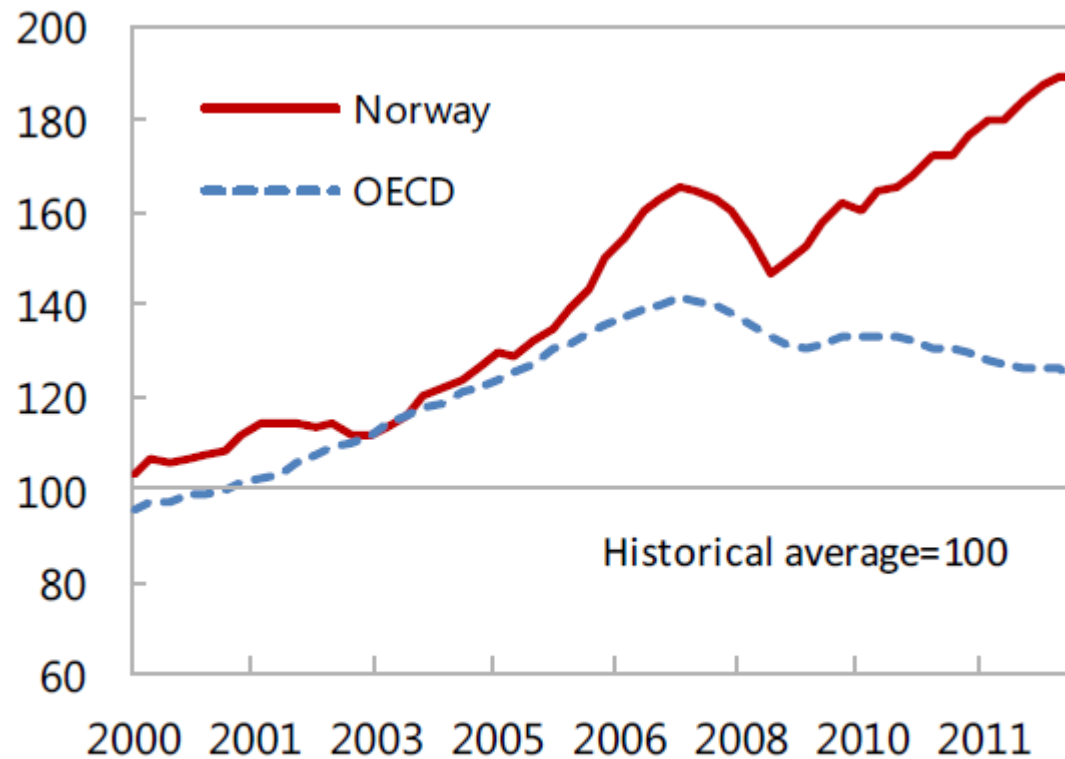
Borrow while you can, or... ?

Household debt ratio and interest burden (percent of disposable income)



Kilde: Norges Bank

Real house prices

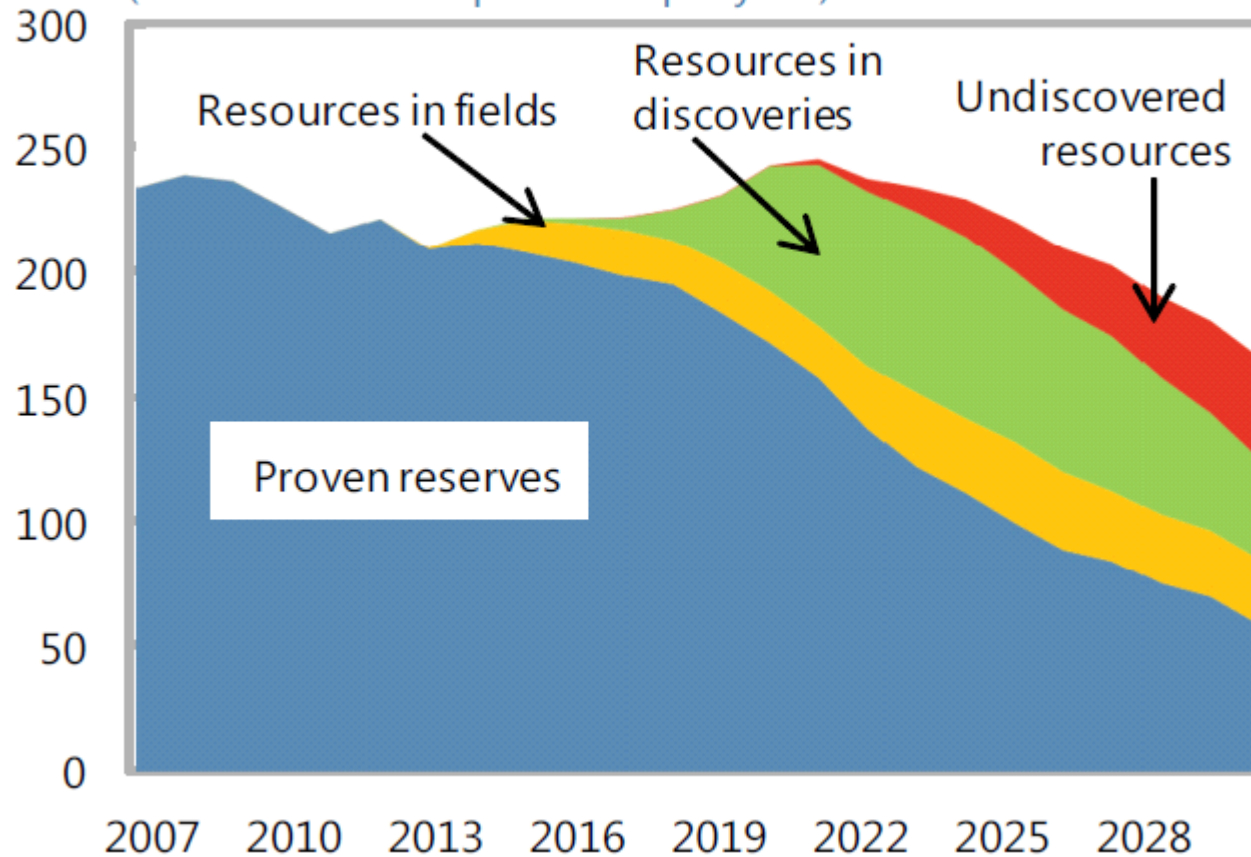


Sources: OECD and staff calculations

Where does Norway go from here?

B. Norway Petroleum Resource Forecast

(Million Sm³ oil equivalents per year)

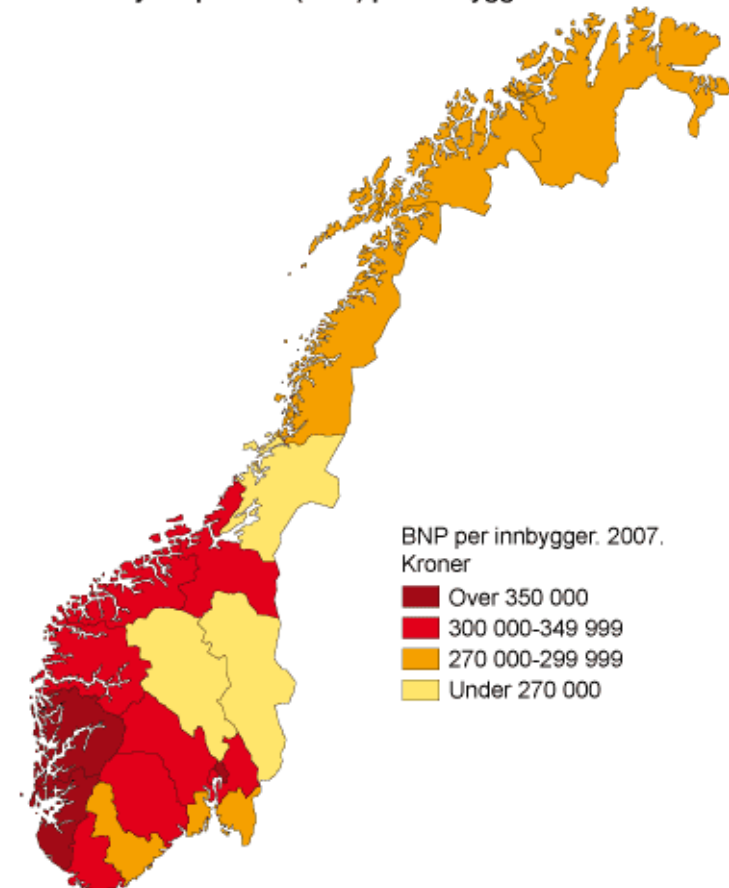
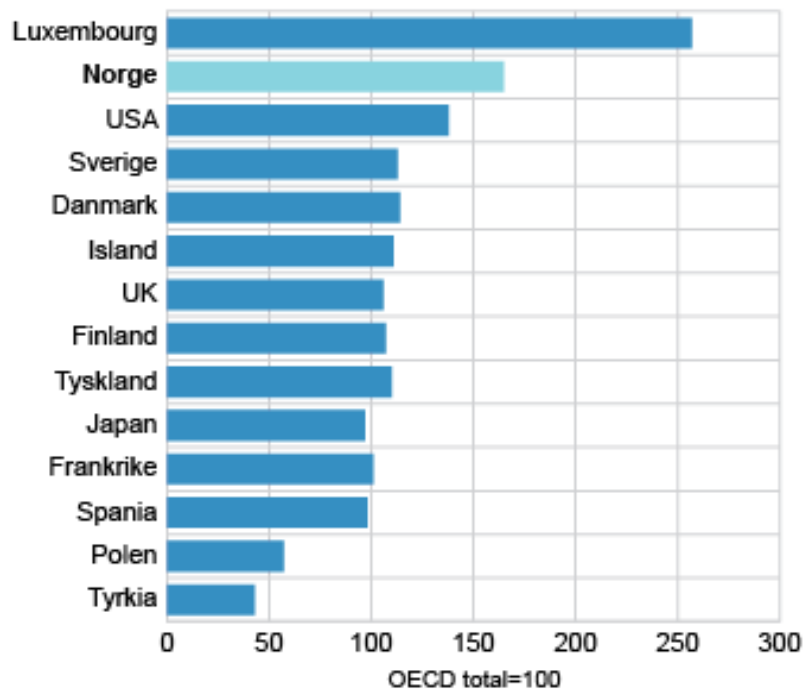


Source: OED calculations

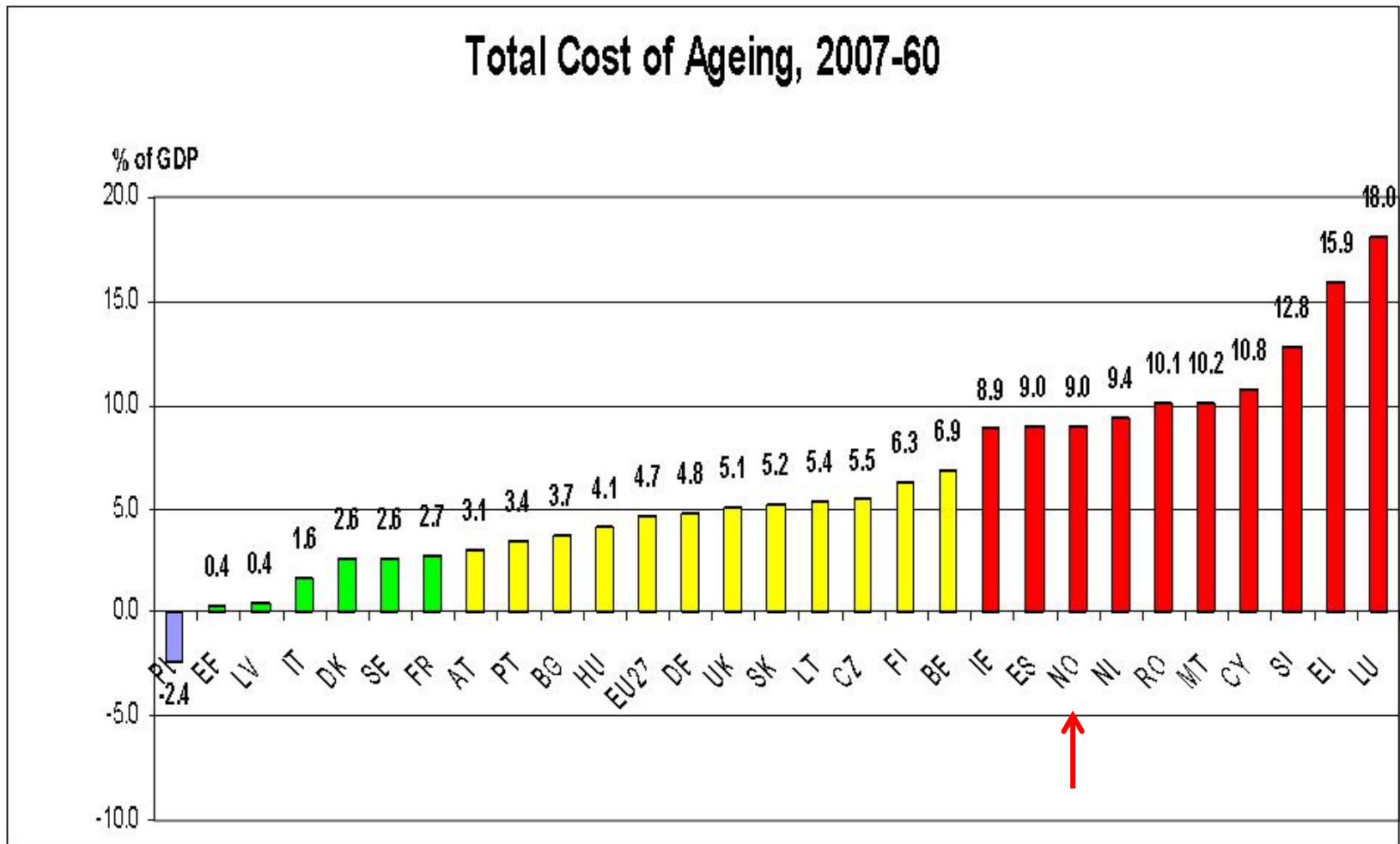
Regional development - Can we maintain our generous welfare system?

Bruttonasjonalprodukt (BNP) per innbygger. 2007

BNP (justert for prisforskjell) per innbygger. 2009.
OECD total=100



Total Cost of Ageing, 2007-60



Source: European Commission

Conclusion

- Two speed global world two speed commodity exporters
- Commodity exporters done well. Part of success is due to productivity spillovers (Bjørnland and Thorsrud 2013)
- The last few years, stimulus have come through increased commodity prices. Increase cost and reduce competitiveness. Vulnerable to abrupt changes in the oil price.
- The future of the welfare state.

Referanser

- Hilde C. Bjørnland og Leif Anders Thorsrud (2013): *Boom or gloom? Examining the Dutch disease in a two-speed economy*. CAMP Working paper series no 6/2013.

http://www.bi.edu/InstitutterFiles/Samfunns%C2%B0konomi/CAMP/Working_CAMP_6-2013.pdf

- Hilde C. Bjørnland og Leif Anders Thorsrud (2013): *Ringvirkninger – Norsk økonomi og olje*. CME Working paper series no 7/2013.

<http://www.bi.edu/cmeFiles/pdf/wp%2013%207.pdf>

- Knut Are Aastveit, Hilde C. Bjørnland og Leif Anders Thorsrud (2014): *What drives oil prices? Emerging versus Developed Economies*. Forthcoming in ***Journal of Applied Econometrics***

http://www.bi.edu/InstitutterFiles/Samfunns%C2%B0konomi/CAMP/Working_CAMP_2-2012.pdf



Thank you!