

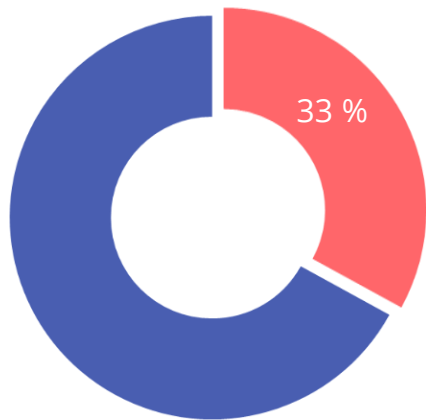
# The Norwegian Oil Fund

Svein Gjedrem

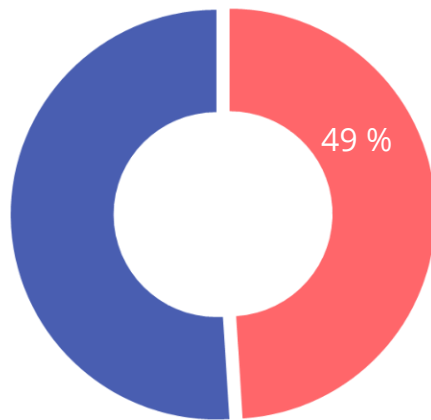
Dublin, March 30<sup>th</sup> 2023



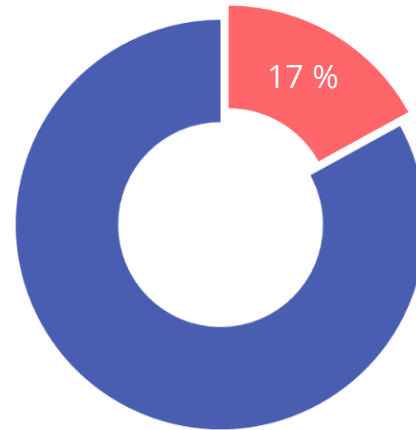
# Petroleum sector accounts for a substantial part of the Norwegian economy estimated figures 2023



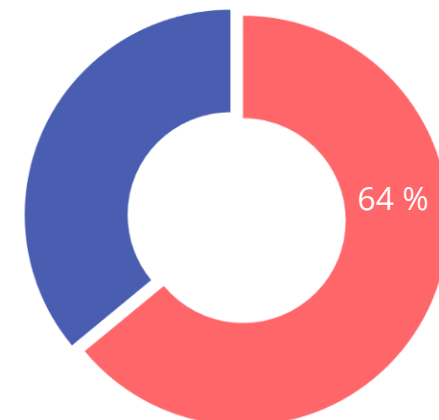
Share of GDP



Share of state revenues

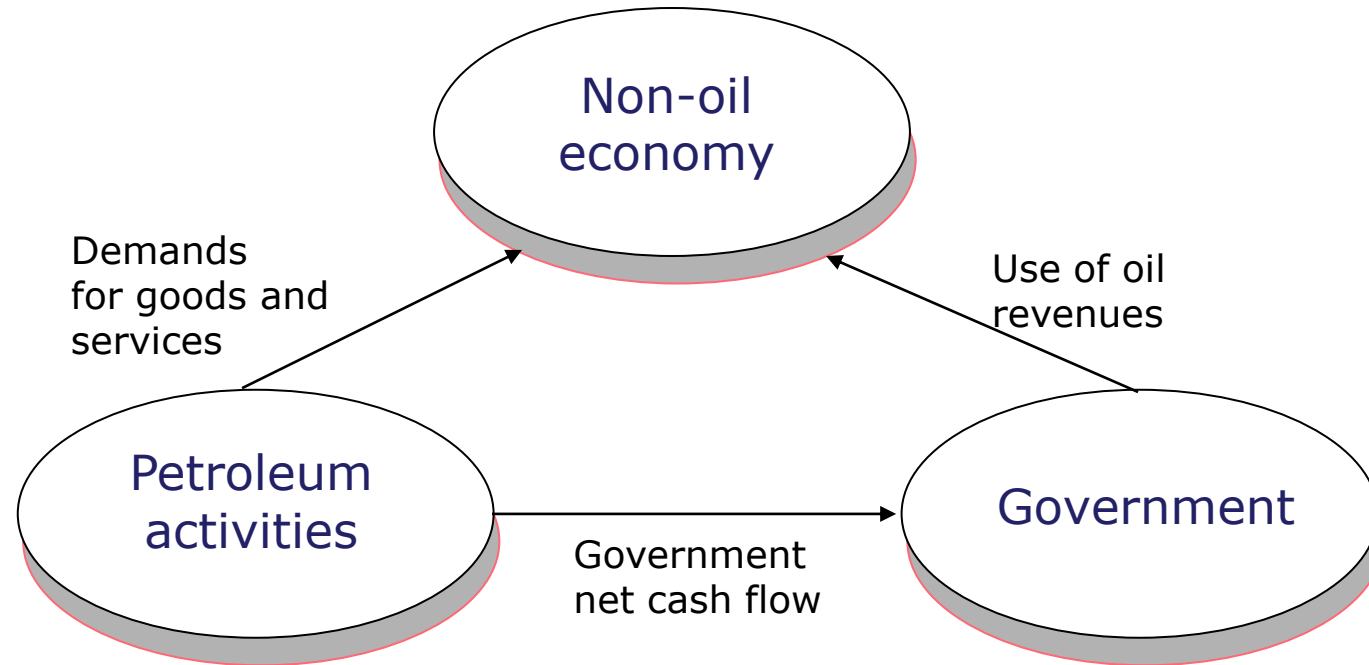


Share of total investments



Share of total exports

# The impacts of petroleum activities on the non-oil economy



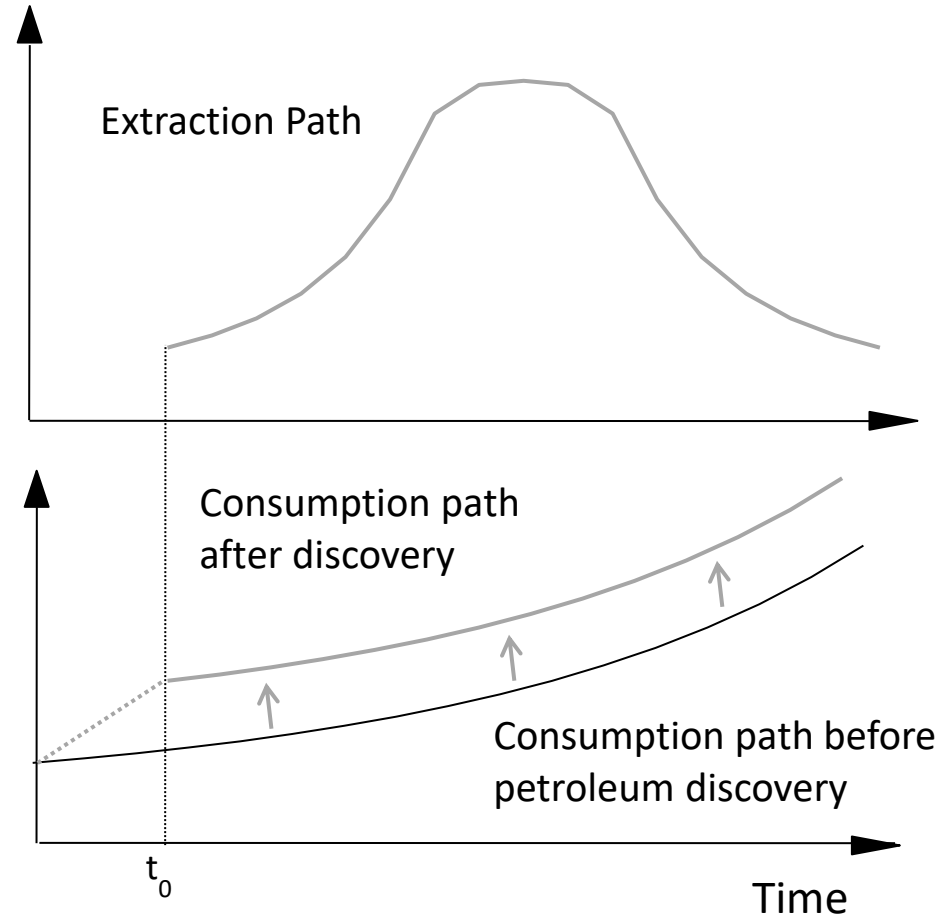
# Petroleum revenues are temporary and volatile

Petroleum revenues not income in traditional sense

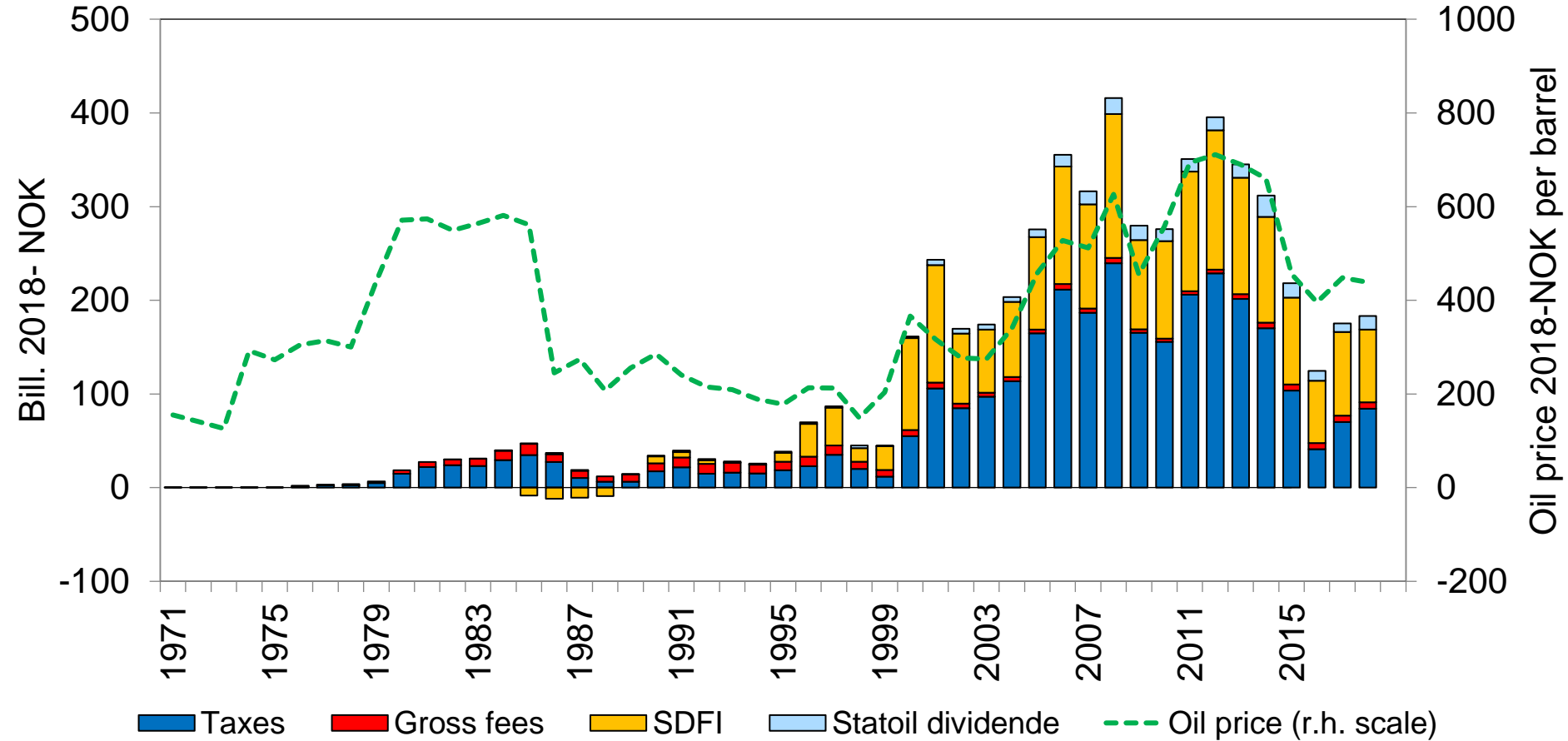
- Income stemming from depletion of non-renewable natural resources
- Transform windfall gain to permanent increase in consumption
- Need for separating current accrual from spending



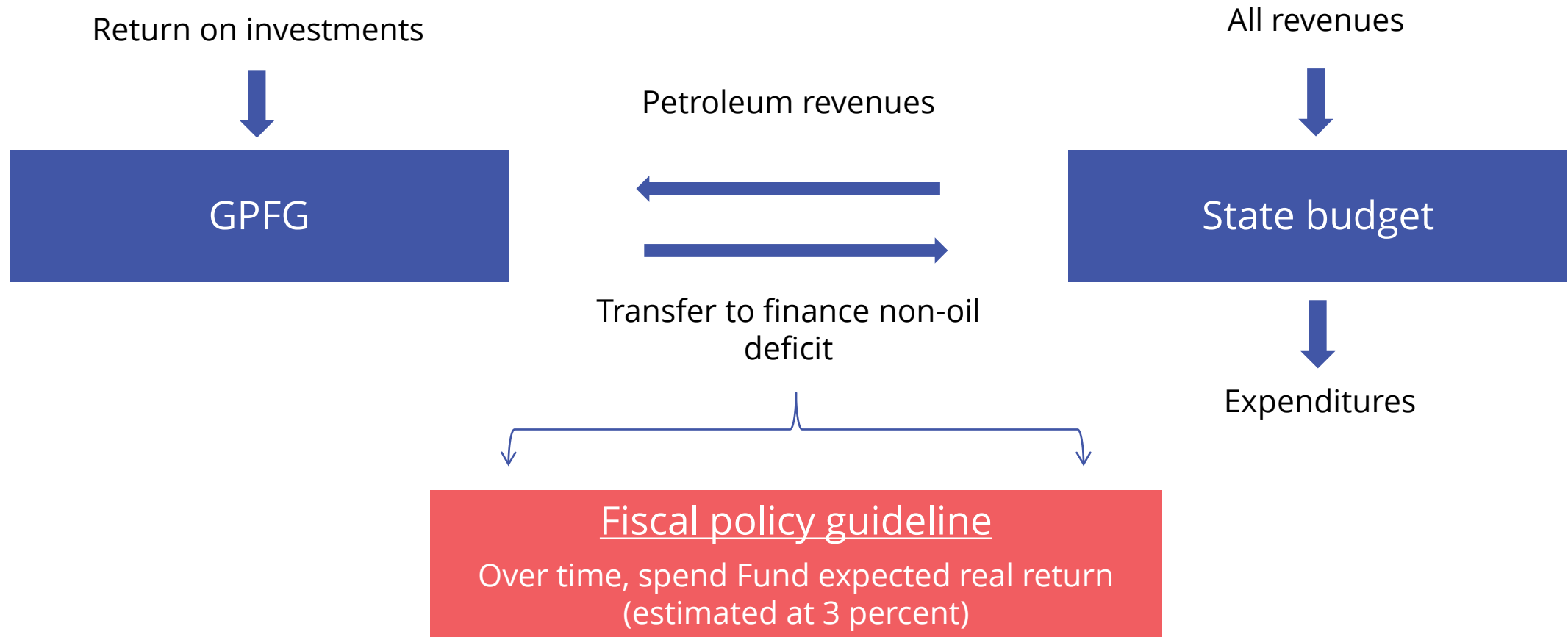
Necessitates saving a large part of petroleum revenues



# Government take from petroleum



# GPIFG and the fiscal policy framework



# Core principles

1. All government petroleum revenues are transferred to the Fund, including the return on the Fund
2. Transfers from the Fund may only be made to the fiscal budget. Transfers are not earmarked for any specific purpose
3. The annual transfer is equal to the non-oil deficit in the fiscal budget
4. The Fund is invested only abroad

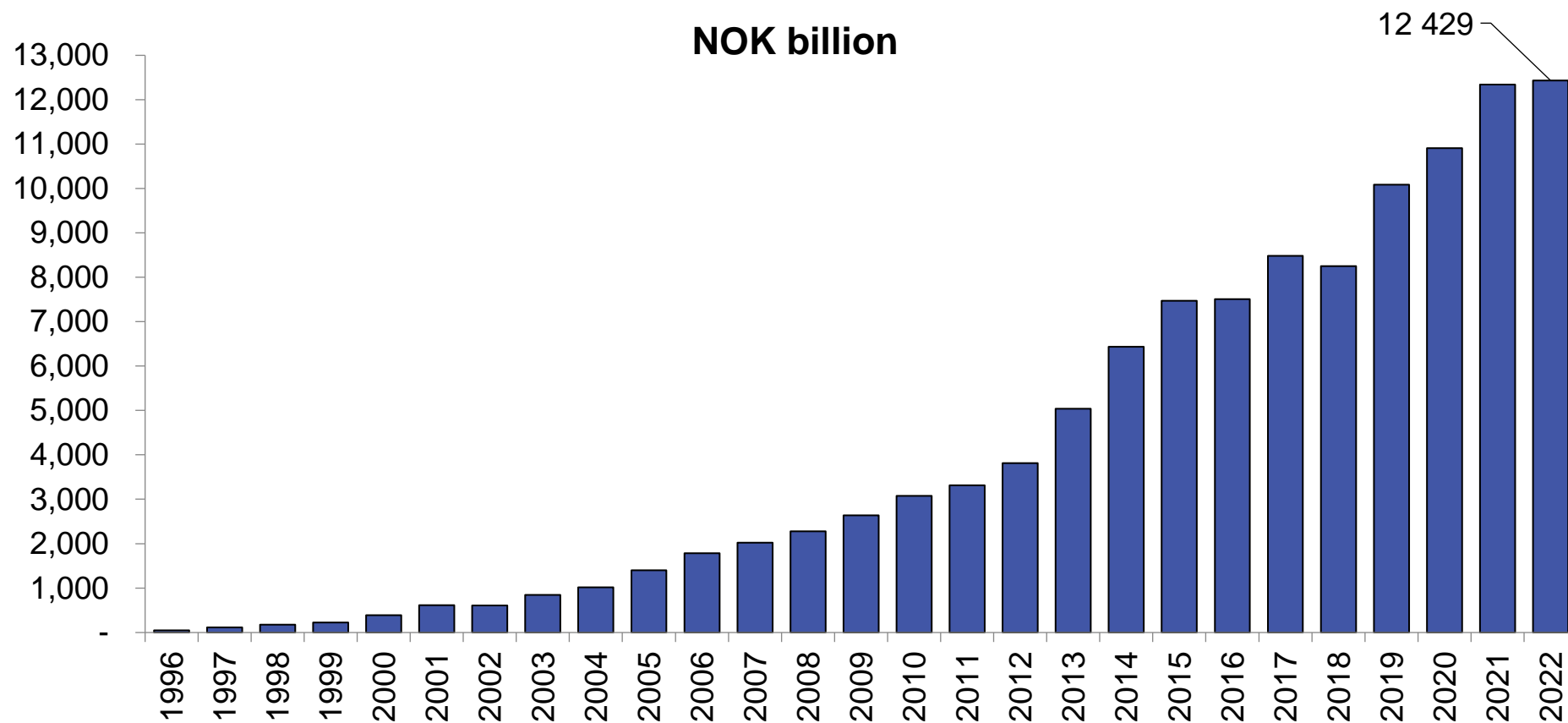


## Fiscal rule (introduced in 2001)

- Petroleum revenues should be phased into the economy in line with the development in expected real return of the Fund
- Real return estimated at 4 per cent from the start, but adjusted down to 3 per cent in 2018
- Considerable emphasis put on stabilizing the economy
  - Emphasis on a smooth and sustainable phasing in of petroleum revenues
  - Automatic stabilizers are allowed to operate, focus on non-oil structural deficit
  - Discretionary fiscal policy is not ruled out...
- ...but fiscal policy should have a medium-term orientation

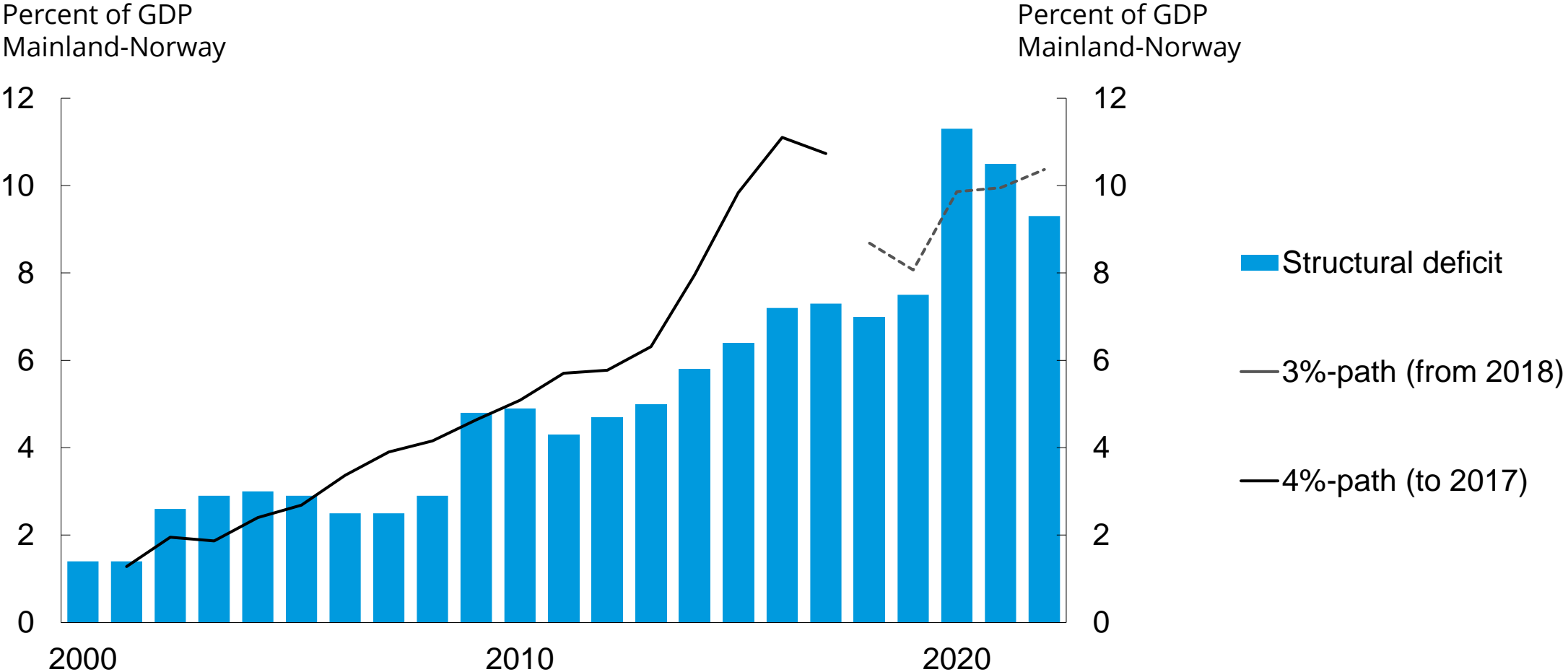
# Market value development 1996 - 2022

NOK billion



Sources: Norges Bank and Ministry of Finance

# Structural deficit ex petroleum and the fiscal rule



Source: Ministry of Finance, National Budget 2023; Statistics Norway

# The Ministry of Finance and Norges Bank

## The Ministry of Finance – “owner”

- Sets benchmark, risk limits, requirements for reporting and responsible management etc.
- Sets the Ethical Guidelines for the GPF
- Follow up on the management and report to Parliament

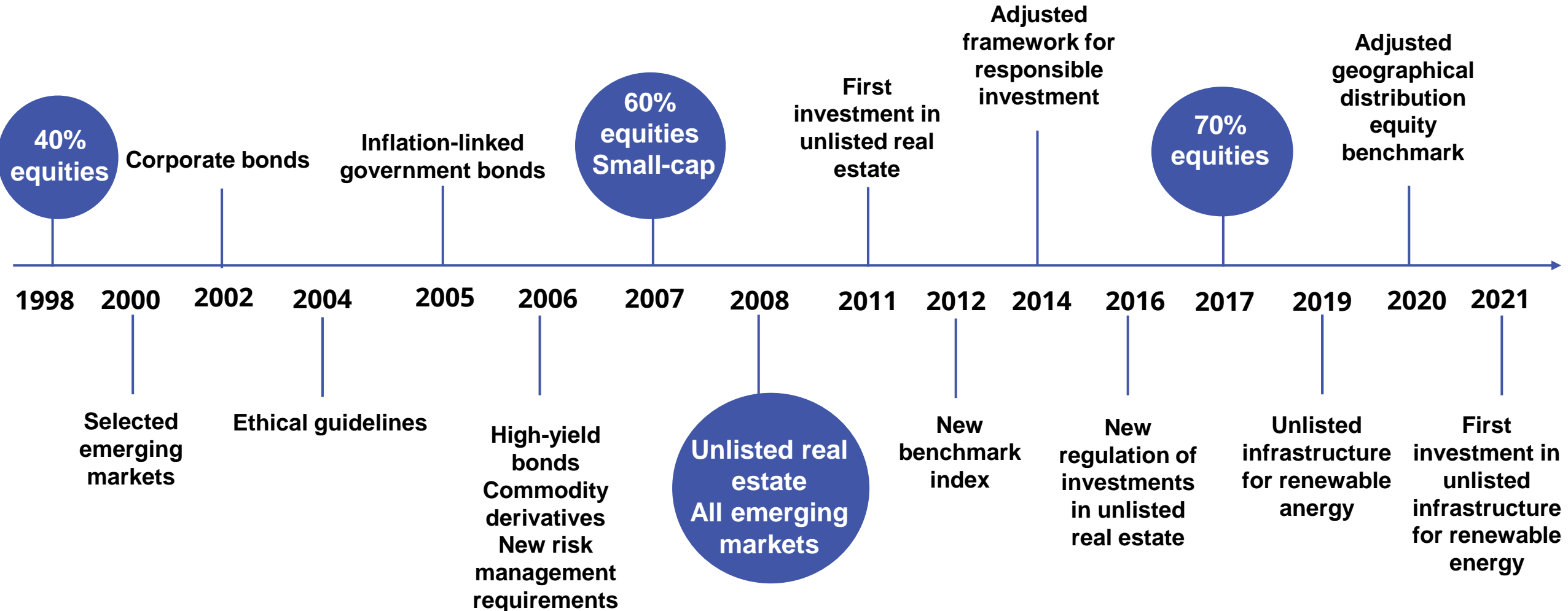
## Norges Bank – “manager”

- Implement the mandate given by the owner
- Independently make actual investments decisions and exercise ownership rights
- Measure, manage and control risk, and report
- Decide on observation and exclusion of companies based on assessments by the Counsel on Ethics

# Investment strategy

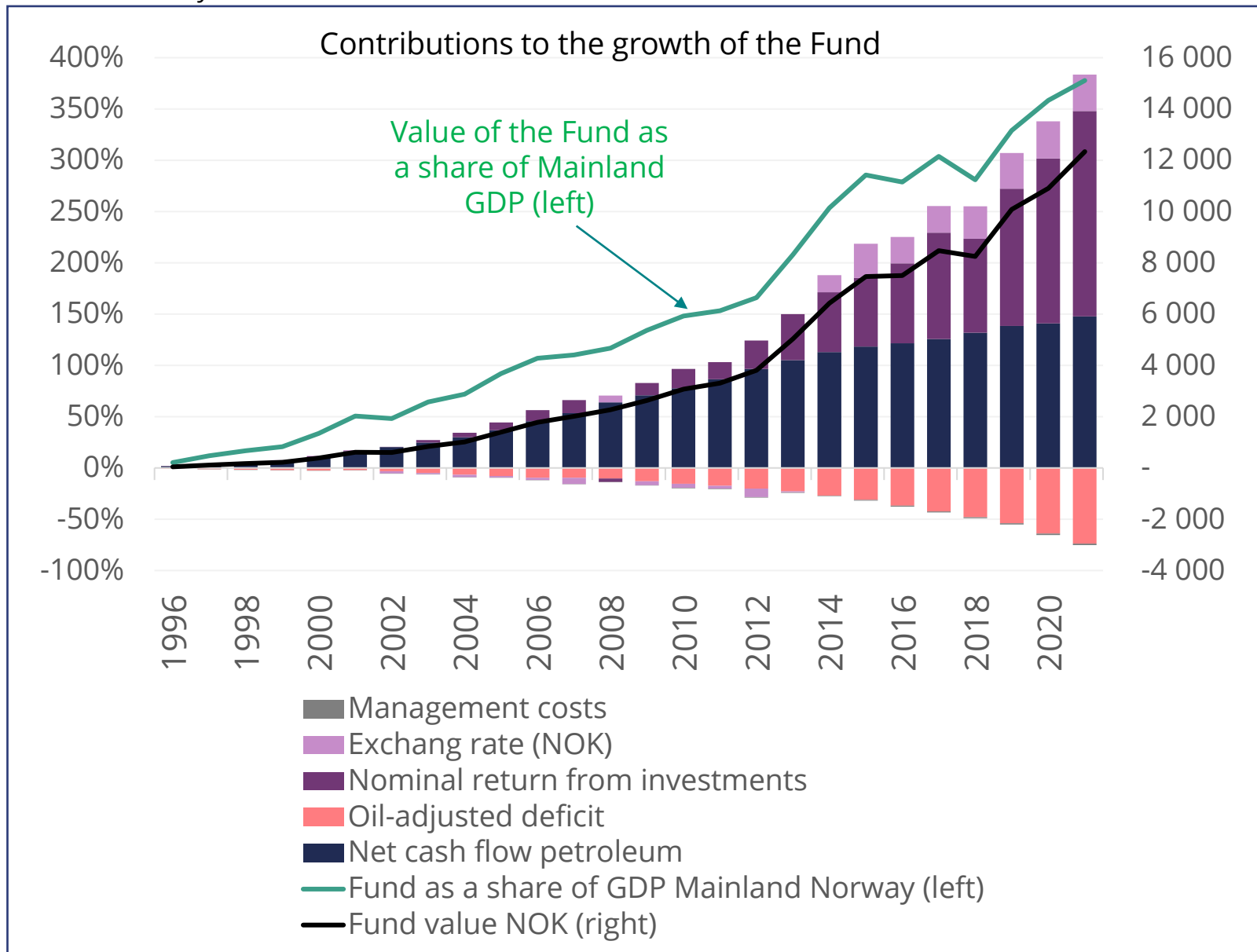
- Premised on Fund objective, investment beliefs and Fund characteristics
- Highest possible long-term financial return within an acceptable level of risk
- The investment strategy is characterised by:
  - Broad diversification
  - Harvesting of risk premia
  - A moderate degree of active management
  - Responsible management
  - Cost efficiency
  - Transparency

# Investment strategy



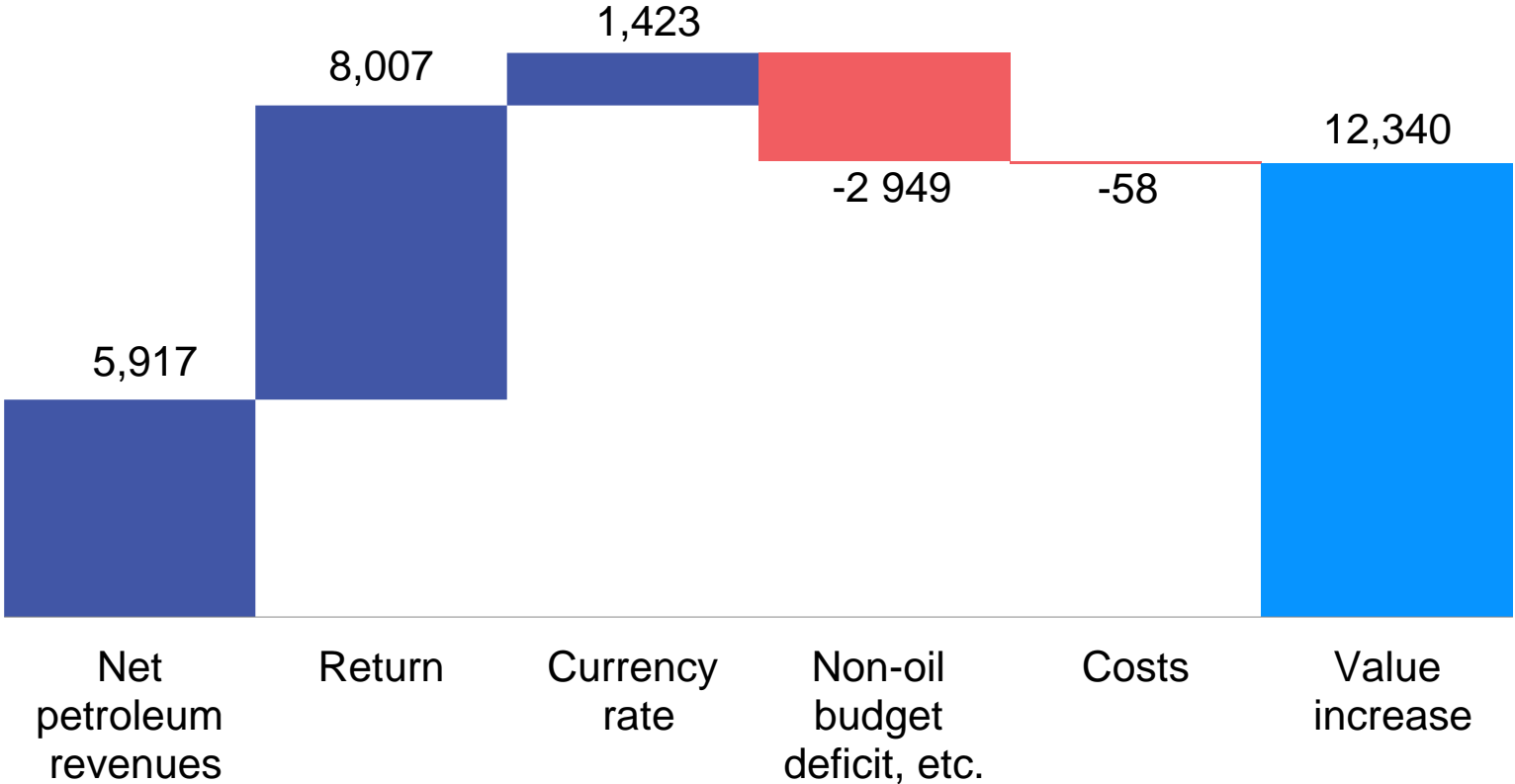
Percent of GDP  
Mainland-Norway

Bill. NOK



# Market value development 1996 - 2021

NOK billion

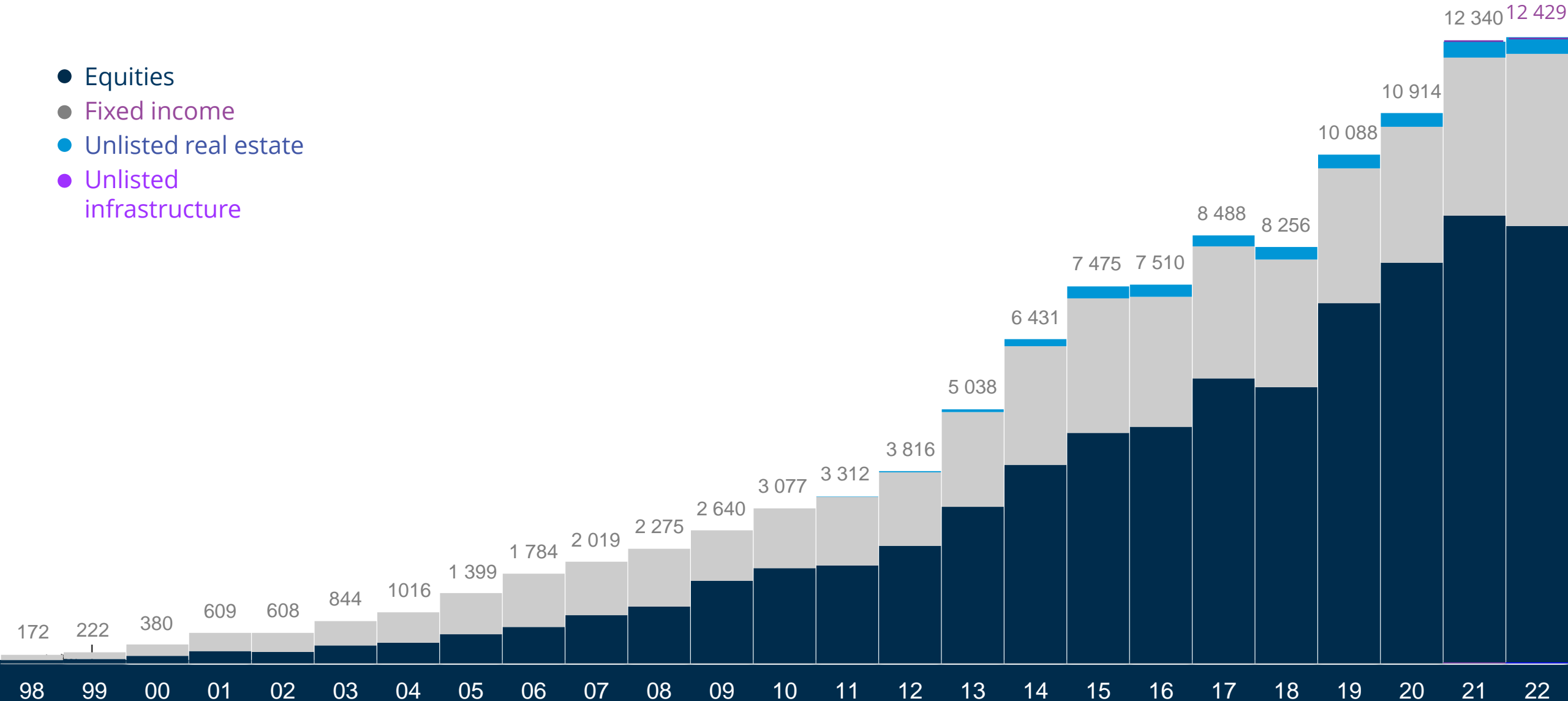




# Market value and asset classes

**Billion kroner**

- Equities
- Fixed income
- Unlisted real estate
- Unlisted infrastructure



# Returns – historical periods in currency basket, percent

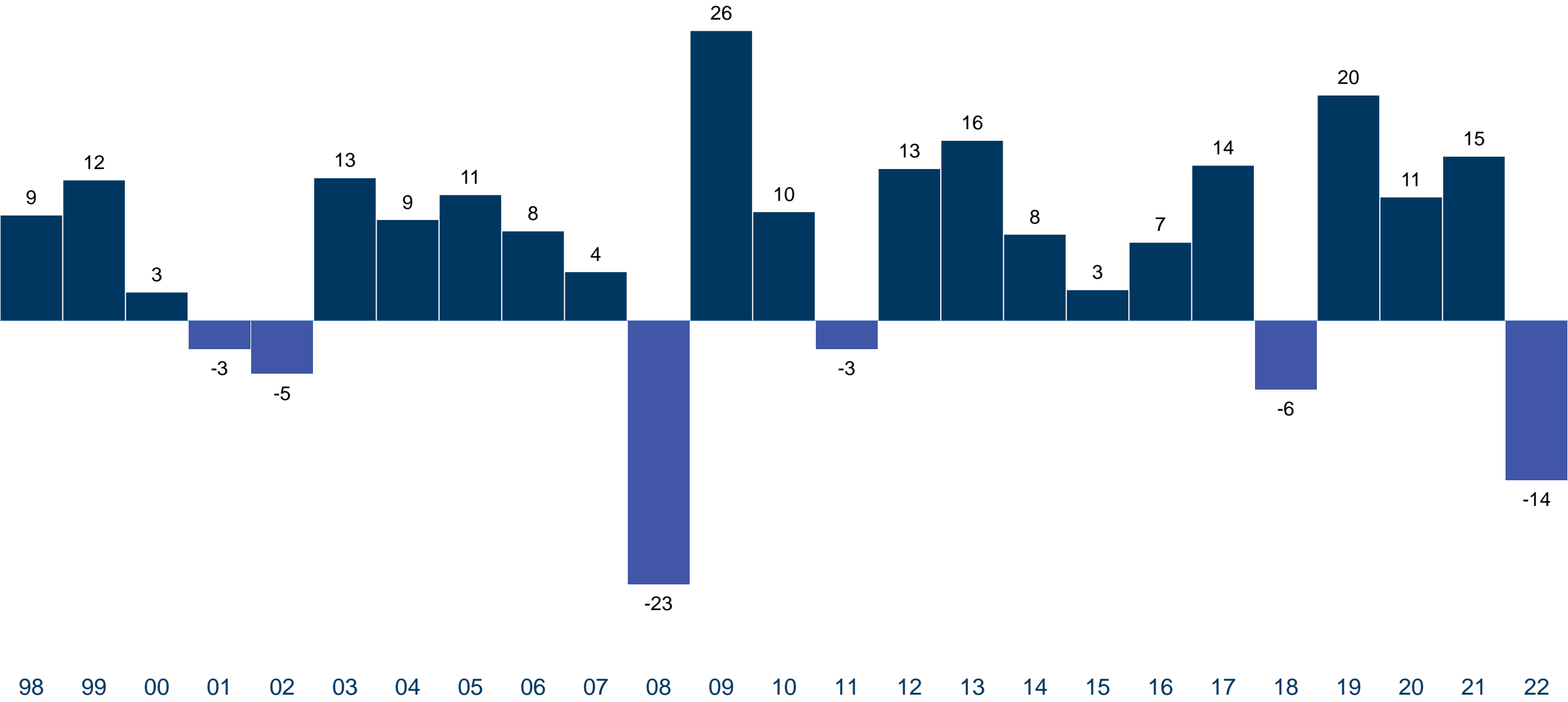
	Fund	Annual Price Inflation	Annual management Costs	Net real return on fund
Since inception*	5.71	2.05	0.08	<b>3.50</b>
Last 15 years	5.50	2.17	0.07	<b>3.19</b>
Last 10 years	6.70	2.25	0.05	<b>4.30</b>
Last 5 years	4.19	3.21	0.05	<b>0.91</b>
2022	-14.10	6.75	0.04	<b>-19.58</b>

\*Fund and Fixed Income inception was in 1998. Equity in 1999, Real Estate in april 2011, and Renewable infrastructure was in june 2020

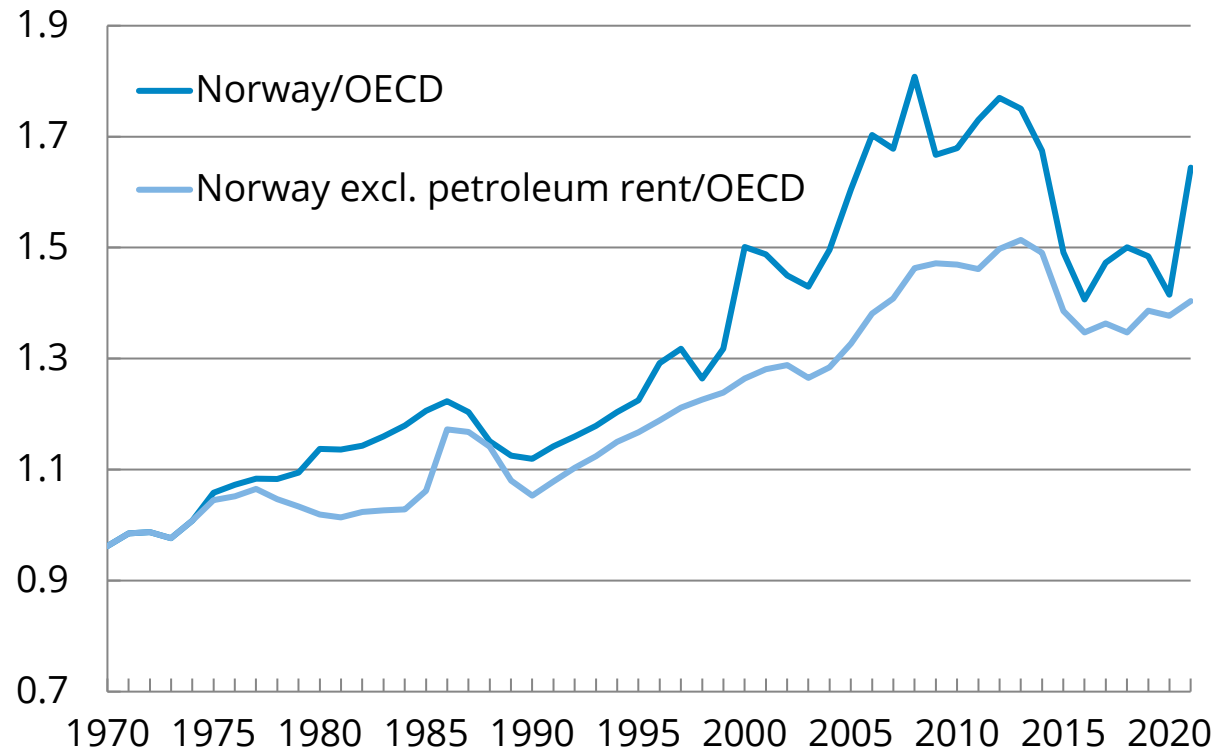
# The rate of return fluctuates

Measured in percent.

Measured in the fund's  
currency basket



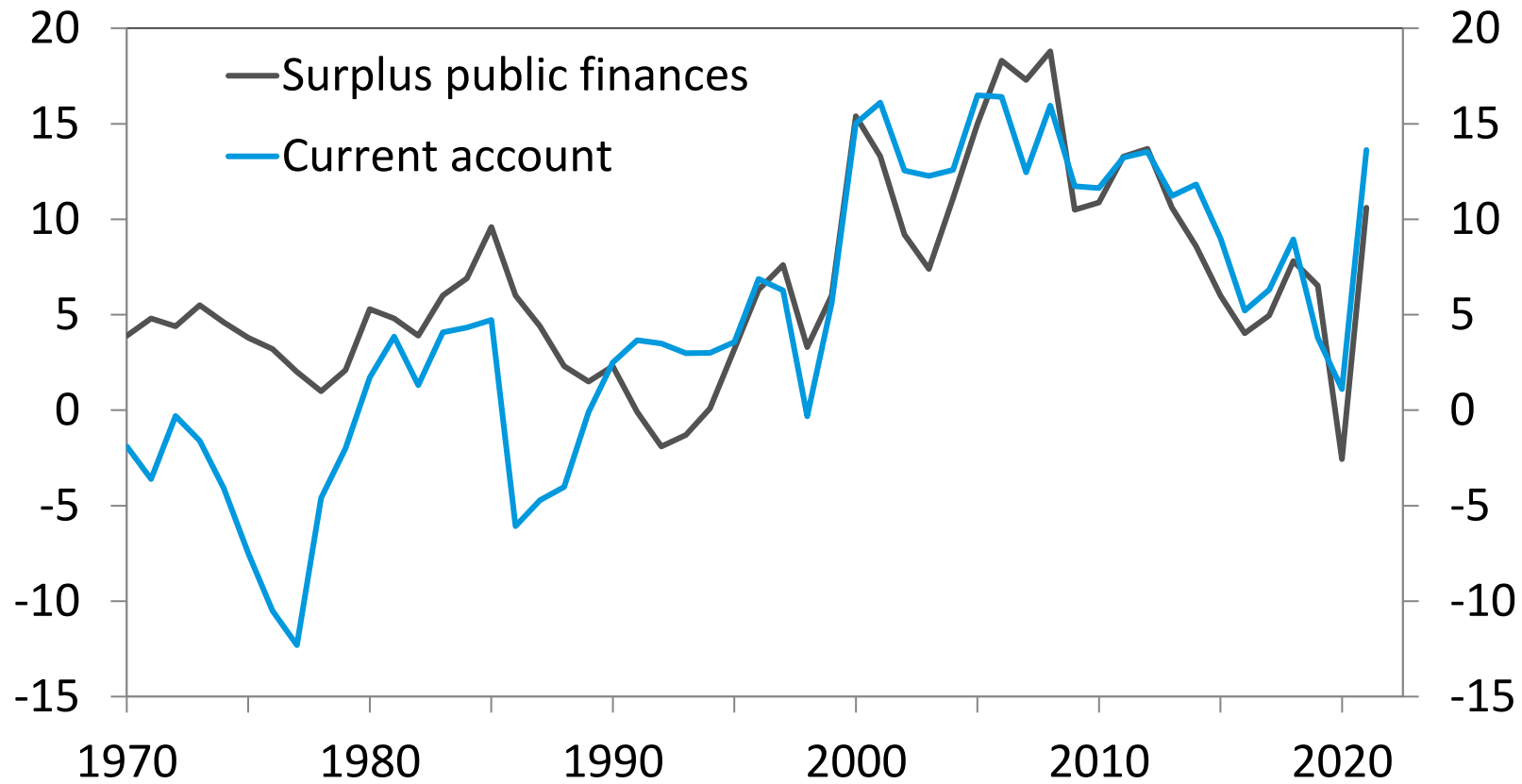
## GDP per capita in Norway compared to the OECD-average 1970-2021 (PPP) (GDP Norway and GDP Norway excl. the petroleum rent)



Source: Norwegian Technical Calculation Committee for Wage Settlements

# Ricardian equivalence?

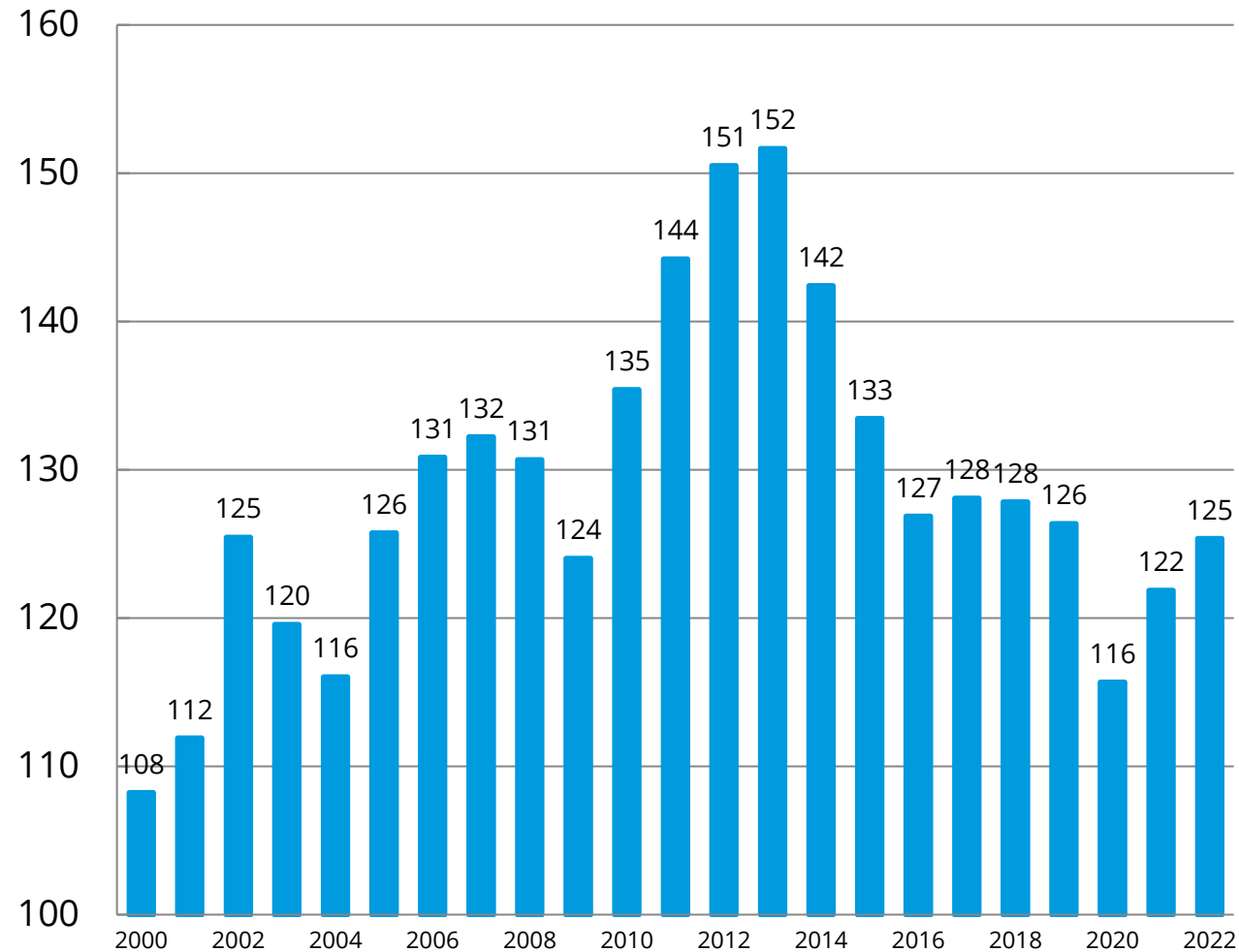
Surplus in public finances and current account. Per cent of GDP



Source: Statistics Norway

# Wages per hour in manufacturing compared to trading partners in EU

Common currency. Trading partner countries = 100



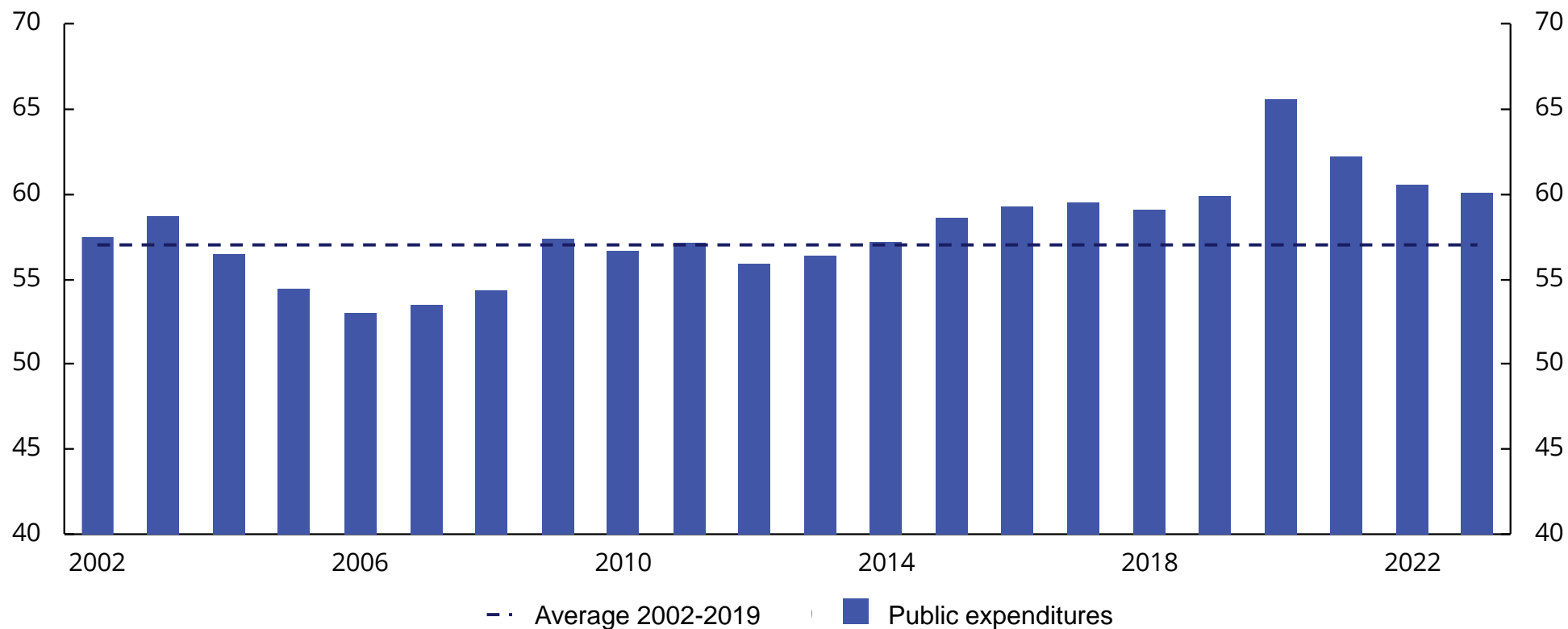
Source: Norwegian Technical Calculation Committee for Wage Settlements

# Public expenditures 2002 – 2022

Per cent of GDP Mainland Norway

Utgifter i offentlig forvaltning.

Prosent av BNP for Fastlands-Norge



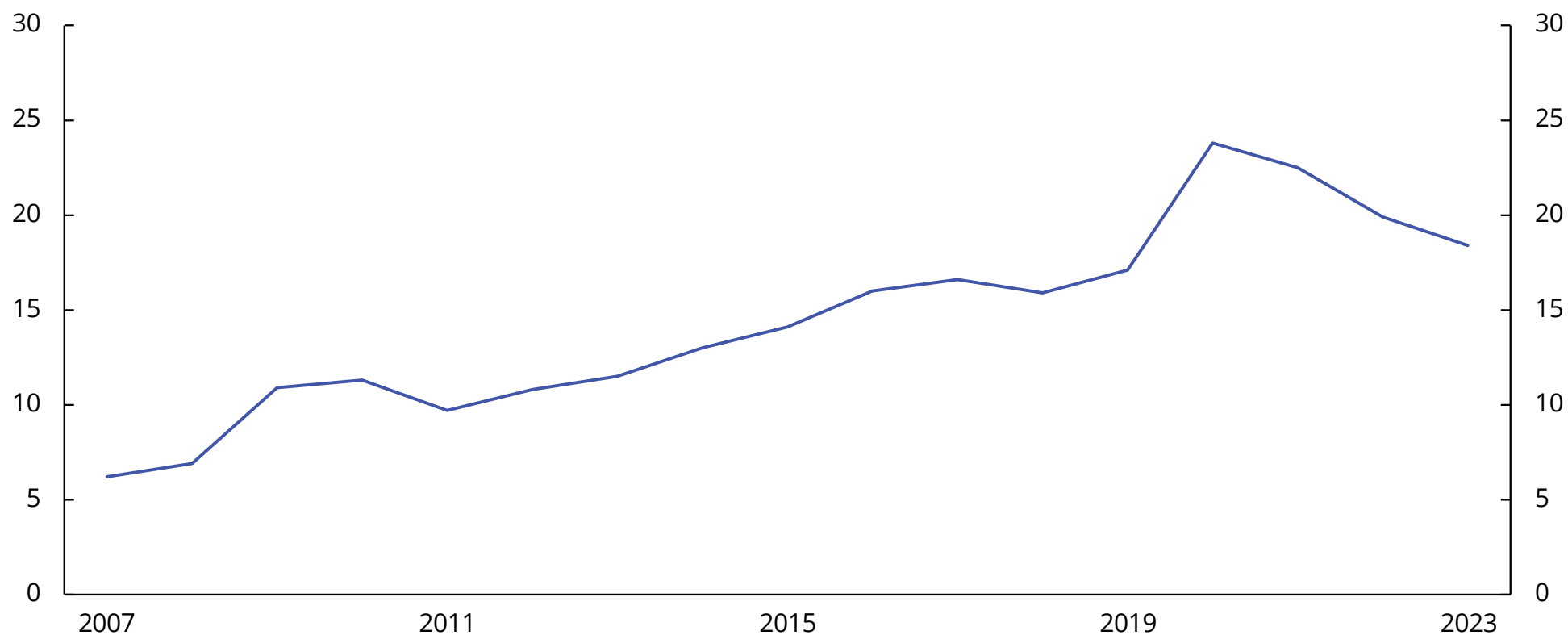
Source: Ministry of Finance, National Budget 2023, Fig 3.5

# Transfers from Oil Fund to State Budget

## Per cent of total State Budget expenditures

Bruken av fondsmidler som andel av utgifter i statsbudsjettet.

Prosent



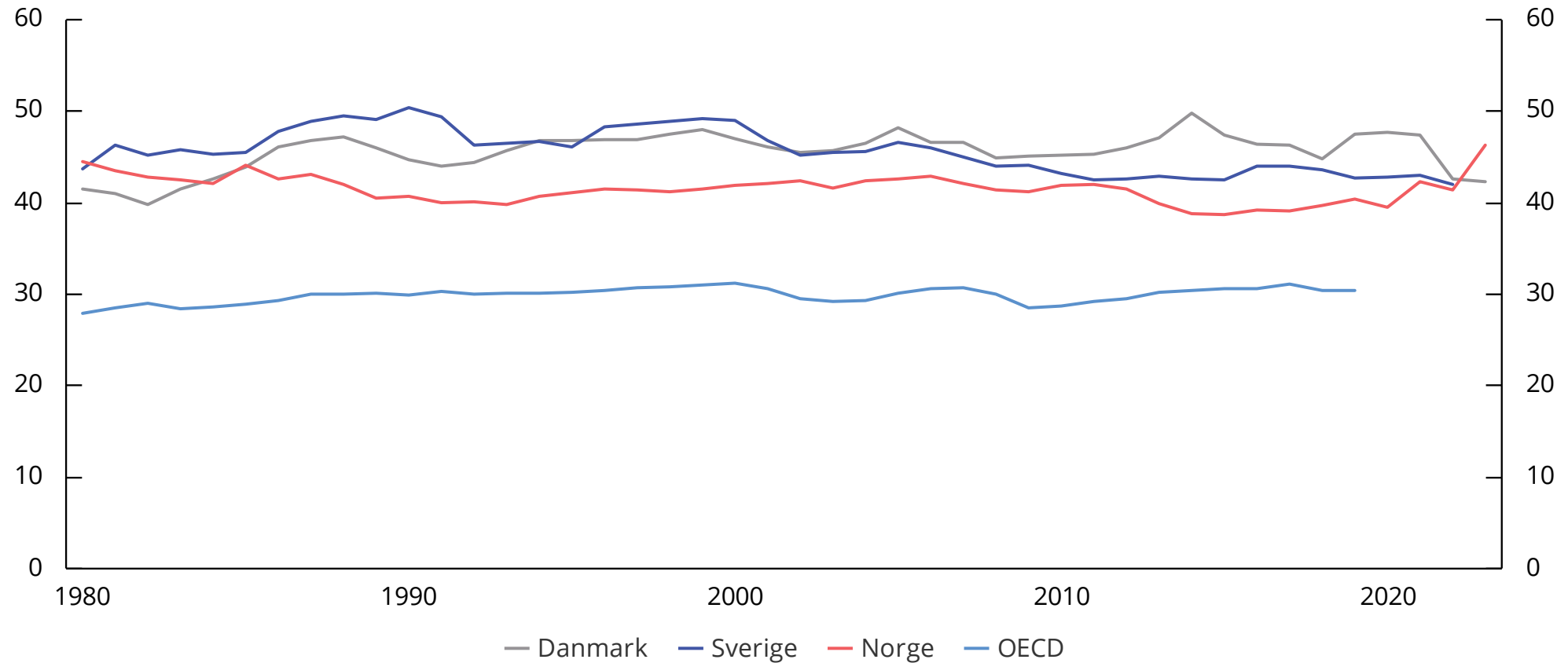
Source: Ministry of Finance, National Budget 2023, Fig 3.8



# Direct and indirect taxes 1980-2023

Per cent of GDP

Offentlige skatte- og avgiftsinntekter

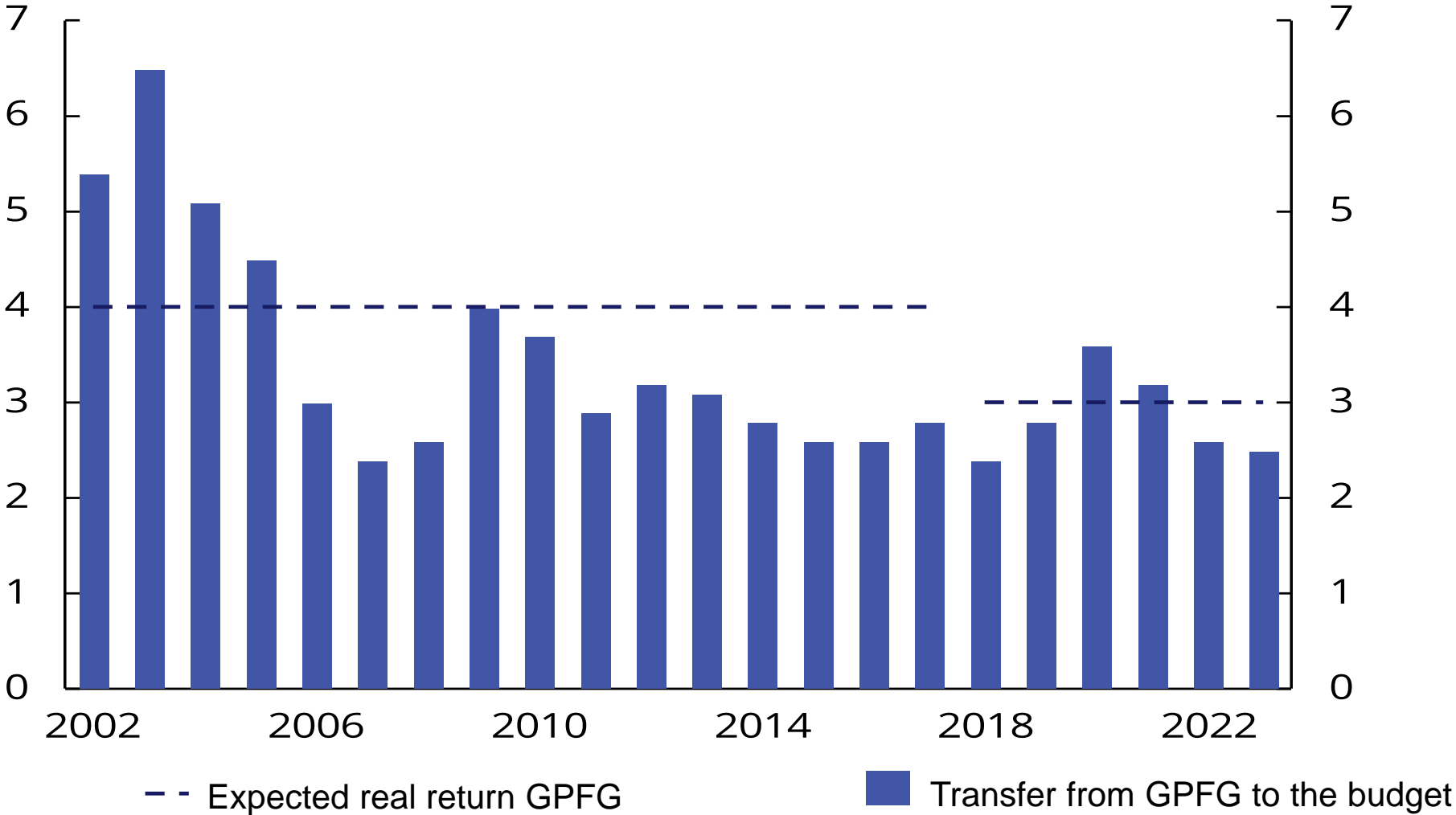


Source: Ministry of Finance, National Budget 2023, Fig. 3.14



# Structural budget deficit ex petroleum

Per cent of the GPFG



Source: Ministry of Finance, National Budget 2023, Fig 3.2