

Key Points:

The NHO Economic Survey indicates that:

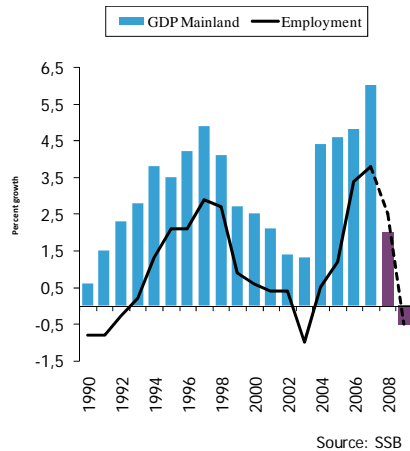
- Even if the current market situation is still regarded as good, we are observing a significant change in the confidence compared to the last Survey.
- More than 50 percent of the responding companies expect the market outlook for 2009 to develop negatively. Such a negative market view has not previously been registered as long as the NHO Economic Survey has existed.
- The enterprises still report an increased labour demand for 2008, but already for the current year, the growth has been reduced by one percentage point compared to the 2008 Spring Survey.
- While the companies reported an increased demand for labour of 1.8 percent this spring, they now report a decline in labour demand of -0.5 percentage points from 2008 to 2009.
- The construction industry has made a downward adjustment of their demand for labour with as much as 4.5 percentage points while the manufacturing sector has made a downward adjustment of their labour demand of 2.7 percentage points compared to our 2008 Spring Survey. The service sectors report increased labour demand next year, but also for these sectors, the labour demand has been reduced.
- One in three enterprises still say that a shortage of labour contributes to limiting their production. However, the number of unfilled vacancies constitutes a mere 3.4 percent of the overall employment. A year ago, the number of unfilled vacancies constituted as much as 7.8 percent.
- There is a marked decline in the number of undertakings reporting further increase in the use of foreign labour next year.
- Several of the companies plan to increase the use of foreign sub-suppliers at the expense of Norwegian ones.
- More than 50 percent of the NHO member companies have postponed their investment projects due to the global financial crisis compared to 10 percent this spring.

Great uncertainty –high degree of preparedness required:

- The international cyclical downturn has become deeper and come far closer to our own doorstep. The global financial crisis has had a far greater effect on the real economy than previously thought.
- Norwegian exporters is threatened with a very problematic market situation in 2009. Both sales volumes and sales prices are expected to develop negatively.
- The construction industry has made a significant downward adjustment of their labour demand for 2009 in comparison to our Spring Survey.
- Our forecasts indicate that for the first time since the 1989 banking crisis, we may be experiencing a decline in our gross domestic product. The contrast to five years of cyclical upturn can thus be dramatic.
- The global financial crisis has resulted in declining wealth values and spread pessimism also in Norway. For the Norwegian economy this means falling investments and stagnating consumption. The construction industry has a very negative view of the 2009 market outlook.
- Lending reluctance and risk aversion in the credit and financial markets serve to harm corporate investment ability and innovation. In particular we fear that newly established businesses without much of a track record will fare badly.
- Overall, we expect a moderate decline in employment from 2008 to 2009. However the uncertainty of forecast is huge. The development may become more negative than what responses collected at the turn of the month October/November 2008 indicate.
- Due to extensive uncertainty, not least in the labour market, in addition to monetary and credit policy measures, there is also a need for developing fiscal policy preparedness measures to counteract investment draught and reticence in the households.
- A reduction of the common tax rate for companies and wage earners from 28 to 26 percent would be an accurate means. Easing corporate ownership taxes is also a very relevant measure in a situation where the need for corporate equity has become far greater.

High degree of preparedness required

Significant change in the business cycle
GDP Mainland and employment growth 1990-2009.

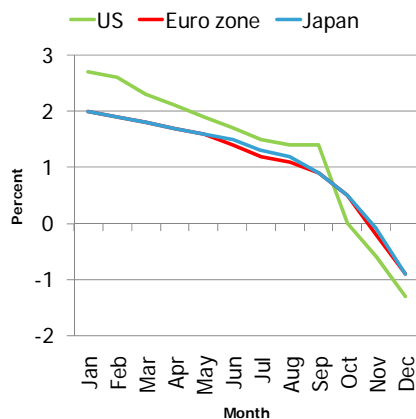


In the NHO's last Economic Report, published in May this year, we expected that Norway would largely come through the international cyclical downturn. Based on the responses provided by our member companies this spring, we believed that the Norwegian economy would continue to grow both in 2008 and 2009. But the cyclical slowdown turned out to be less moderate than we thought just six months ago. The NHO member companies have now made a significant downward adjustment of the market outlook for 2009. For the current year, the activity level is still relatively high. The employment among the NHO members is currently expected to increase by 1.5 percent from 2007 to 2008. Next year on the other hand, labour demand will decrease by 0.5 percent. The forecast uncertainty however is great. The decline will most likely be greater than the enterprises reported at the turn of the month October/November 2008. Due to the fact that we already have new information indicating that the international cyclical fluctuations look to be weaker than the picture upon which the NHO member companies based their responses a month ago.

The international economy has developed far worse than the forecasts six months ago indicated. Furthermore the effects of the global financial turmoil have become more complex for Norway as well. There is a growing uncertainty and we do not fully recognize how the financial markets work. This cyclical report is based on the NHO's Economic Survey in which 2450 member companies have been asked to give their view. Their responses are characterised by a high degree of uncertainty and investment reluctance. More than 50 percent of the respondents state they have reconsidered or postponed their investment plans. A year ago only 10 percent of the responding enterprises had adjusted their investment plans downwards.

Expectations for 2009 falling dramatically through 2008

Consensus Forecasts. Forecast on GDP growth 2009 Januar - December



New forecasts for the international cyclical situation currently paint a far grimmer picture of the cyclical trends. The IMF's latest forecast points to stagnation and a decline in GDP growth for many Western economies for 2009. The Euro zone may experience a decline in GDP if the forecasts are correct. The Asian economies as well have a weaker growth than previously, even if the effect is not as profound as that of the Western industrialised countries. The Consensus Forecasts for November predict a GDP decline for the U.S economy of 0.6 percent for 2009. What is worse for Norway is that the outlook for the European economy is currently looking far worse.

As late as March this year the forecast indicated a GDP growth for the Euro zone of just below 2 percent for 2009. The Consensus Forecasts for November foresee a decline 0.2 percent. Some of the forecasting institutes expect the decline will be far stronger. The international cyclical downturn has turned out to be far deeper and has inched itself far closer to our own doorstep. Trust and faith in the future among European enterprises and households has been weakened as a result of sharply declining assets and housing values. The result is a decline in corporate

investments, but private consumption growth as well has been significantly curbed. Therefore we will not be able to prevent the global financial turmoil from having negative consequences for Norwegian export companies.

The National Budget proposal for 2009 means that spending of petroleum revenue is increased by NOK 14 billion from 2008 to 2009. The increased spending provides a stimulus equal to 0.7 percent of the GDP and will undoubtedly contribute to boosting the activity level for certain segments of the Norwegian economy. But it is rather doubtful whether the profile of the macroeconomic scheme for 2009 has been targeted correctly to soothe the pain in places where it is most acute. The appropriate counter-move against financial turmoil and declining export markets should have been measures aimed at improving corporate competitiveness in times where the battle for market shares is going to become ever fiercer.

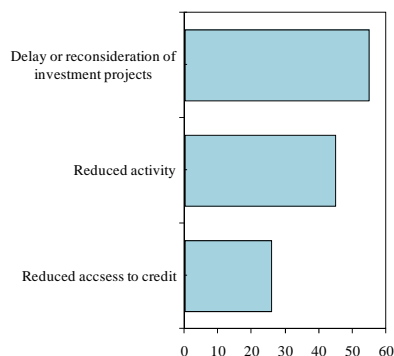
In addition to the fact that the global financial crisis has resulted in and will continue to result in a declining outlook for the export market and increased international competition, we will also in Norway be experiencing the negative consequences brought on by a lack of faith in the future, lending reluctance and risk aversion in the credit markets. There is a clear risk that this may be harmful to corporate investment ability and innovation. In particular recently established businesses without much of a corporate track record to speak in their favour could fare badly in a situation characterized by a credit squeeze and tendencies towards risk aversion in the credit market. In this type of situation there is a need for increased corporate equity and risk alleviation measures in the economic policy. Increased corporate equity taxation such as the Norwegian Government is proposing in the 2009 National Budget is exactly the opposite of what is currently required in the way of political counter-measures.

Also in Norway, declining wealth values in both the corporate and household sectors will lead to a weak trend of development as regards investments and private consumption, leaving Norwegian enterprises to be faced with a negative trend both in the foreign and domestic market. We are currently observing a significant negative change in the confidence among the NHO members companies compared to the Spring Survey. In the current situation, there are differences between the various sectors and industries. Within the traditional industry sectors, enterprises linked to the petroleum cluster will still be able to enjoy good market conditions. On the other hand the construction material manufacturing sector considers the market situation as very unsatisfactory. As much as 75 percent of the enterprises within the construction material manufacturing currently hold a negative view of the market outlook for 2009. In this sector production has already fallen considerably.

Half of the enterprises participating in the NHO Survey currently expect the market to develop negatively in 2009. On average the undertakings within the NHO's area of impact expect an employment decline of 0.5

Companies delay investment projects

Share of companies confirming that the financial turmoil has contributed to..



percent for 2009. The construction industry has made a significant downward adjustment of their labour demand compared to the Spring Survey. Also for the manufacturing sector the downward adjustment is considerable. Due to a weak development in private consumption we have to assume that there will be an employment decline also in the retail sector. Public sector employment however is expected to increase. For this sector the access to qualified labour will still serve as a limiting factor as regards employment. Overall we expect a moderate decline in employment from 2008 to 2009.

The forecast uncertainty is however huge. The development in the labour market may rapidly become far weaker than we are currently able to foresee. Much will depend on the further development in the global economy. At the same time the interest rate development and access to credit will be absolutely vital. As we currently see it, it is currently necessary to develop a fiscal preparedness plan as a counter-measure if the situation should turn even more dramatic. The preparedness measures should be aimed at improving corporate competitiveness and investment ability while serving as an adjustment measure as regards consumer reluctance in the household sector. A reduction in the common tax rate for companies and wage earners would safeguard both these considerations. Easing corporate ownership taxes is also a highly relevant measure.

Appendix: Forecasts for 2008 and 2009

	2007	2008				2009			
	SSB	SSB	NB	Findep	NHO	SSB	NB	Findep	NHO
Private consumption	6,4	2,3	1,5	2,3	2 1/2	1,8	0,75	2,5	1 1/2
Public consumption	3,6	3,8	3,75	3,8	4	3,4	3,5	3,4	4
Gross investment	9,3	3,9	..	4,6	3 1/2	-2,7	..	-0,3	-6
Petroleum activities	5,5	6,2	7,5	11	7 1/2	9,2	10	5	7 1/2
Mainland Norway	9,4	2,8	2,25	2,7	1 3/4	-5,5	-14	-1,2	-9 1/2
-business	12,5	8,6	..	7,9	7 1/2	-7,1	..	-2,4	-12
-housing	5,5	-9,4	..	-8,5	-10	-8,8	..	-2	-15
-public	7,8	6,2	..	6,2	6	2,8	..	2,7	4
Demand Mainland	6,2	2,8	2,25	2,7	2 3/4	0,8	-1,25	2	0
Export	2,8	2,1	..	2,2	2	0,9	..	2,5	0
-petroleum	-2,8	-1,5	..	-1,5	-1 1/2	2,5	..	2,6	2 1/2
-traditional goods	9	7	5,5	5,9	6 1/2	-1,8	0,75	1,8	-3
Imports	8,7	5,1	4	5,3	5	-0,3	-1,25	1,8	-1/4
-traditional goods	8,1	4,5	..	5,5	4 1/2	-0,7	..	1,9	-3/4
GDP	3,7	2,4	2	2	1 1/2	1,4	1	2,3	1/4
Mainland	6,2	3	2,5	3,1	2	1,1	0,25	1,9	-1/2
Manufacturing	4,7	2,4	..	..	2 1/2	0,5	..	..	-3
Employment	4	2,6	2,75	2,8	2 3/4	0,8	-0,75	0,4	-1/2
Unemployment	2,5	2,7	2,5	2,5	2 1/2	3,2	3,25	2,75	3 1/2
Wages	5,6	6	6	6	..	4,7	4,75	5	..
CPI	0,8	4,1	3,75	3,75	4	3,2	3	3	3
CPI ATE	1,4	2,7	2,5	2,5	2 1/2	2,7	3	2,75	2 3/4
3 Month NIBOR	5	6,4	..	6,5	6 1/2	5,5	..	6,5	4 1/2
NOK/EURO	8	7,95	..	..	8 1/4	8,1	..	..	8 1/4
Export price traditional goods	2,2	1,4	..	1,4	1	-4,3	..	0,3	-5
Current account. Bill.NOK	350,7	485,1	..	529,2	..	471,5	..	435,8	..
Current account. Pct of GDP	15,4	18,8	..	20,5	18 3/4	17,8	..	16,6	15