



# Managing wealth

Some thoughts on economic policy and the allocation of national savings

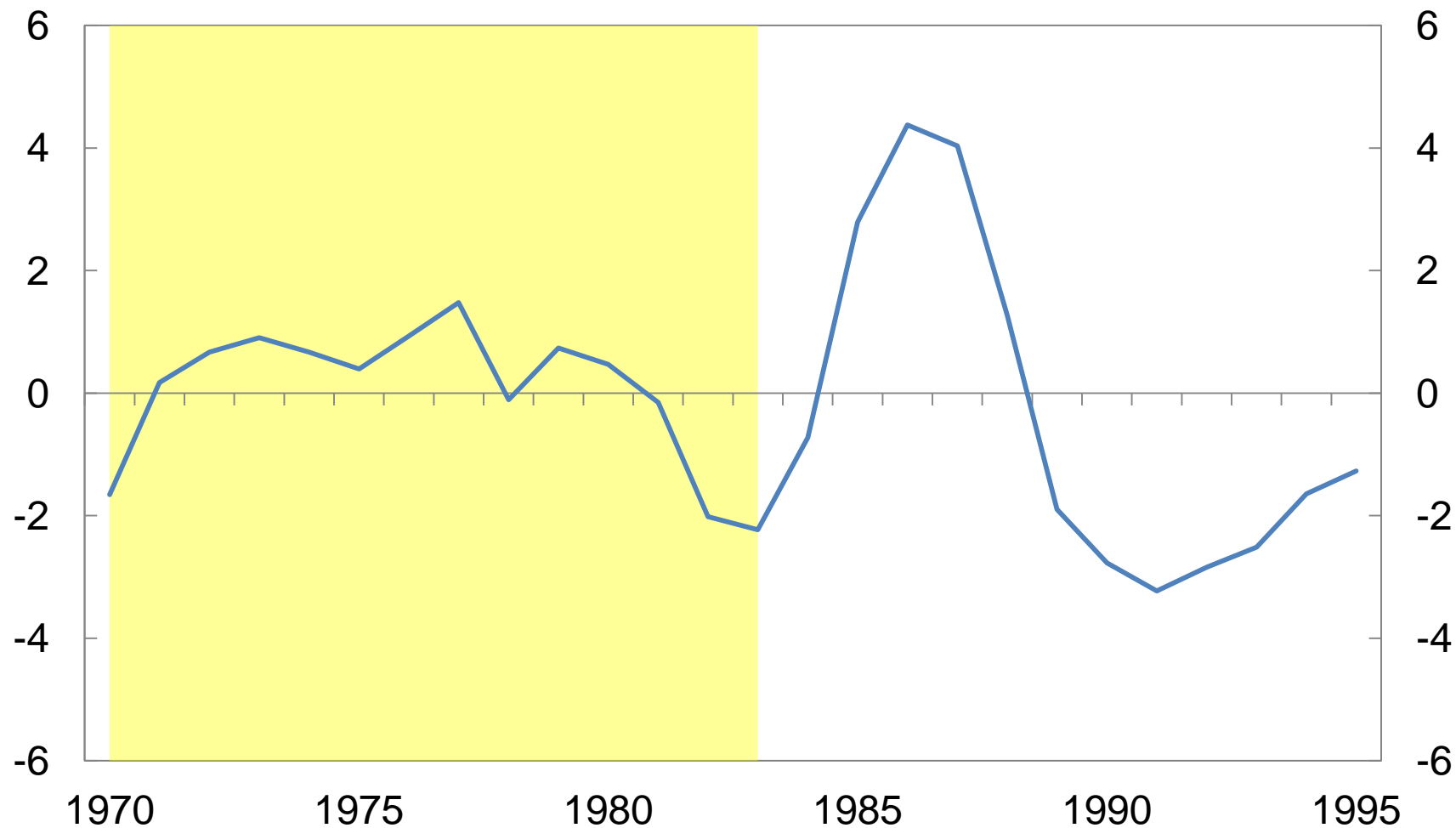
Governor and chairman of the executive board Øystein Olsen  
Ambassador's residence, Rome  
29 November 2012

*“(..) easy money is bad for you. It represents short-run gain that will be paid for in immediate distortions and later regrets.”*

David Landes: *The Wealth and Poverty of Nations*, 1998

# A boom-bust economy

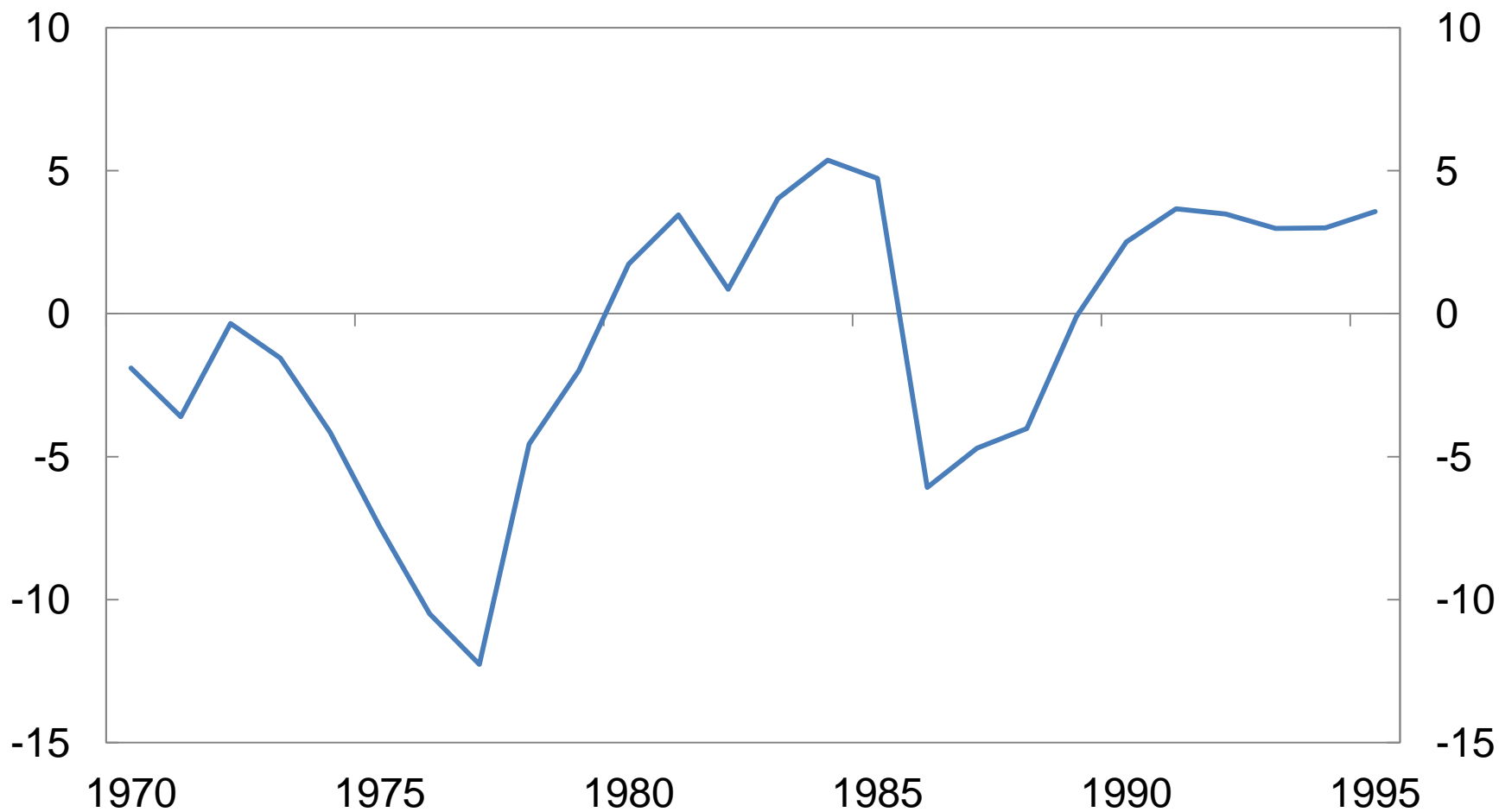
Output gap in Norway. Percent of trend-GDP



Source: Statistics Norway and Norges Bank

# Large external deficits

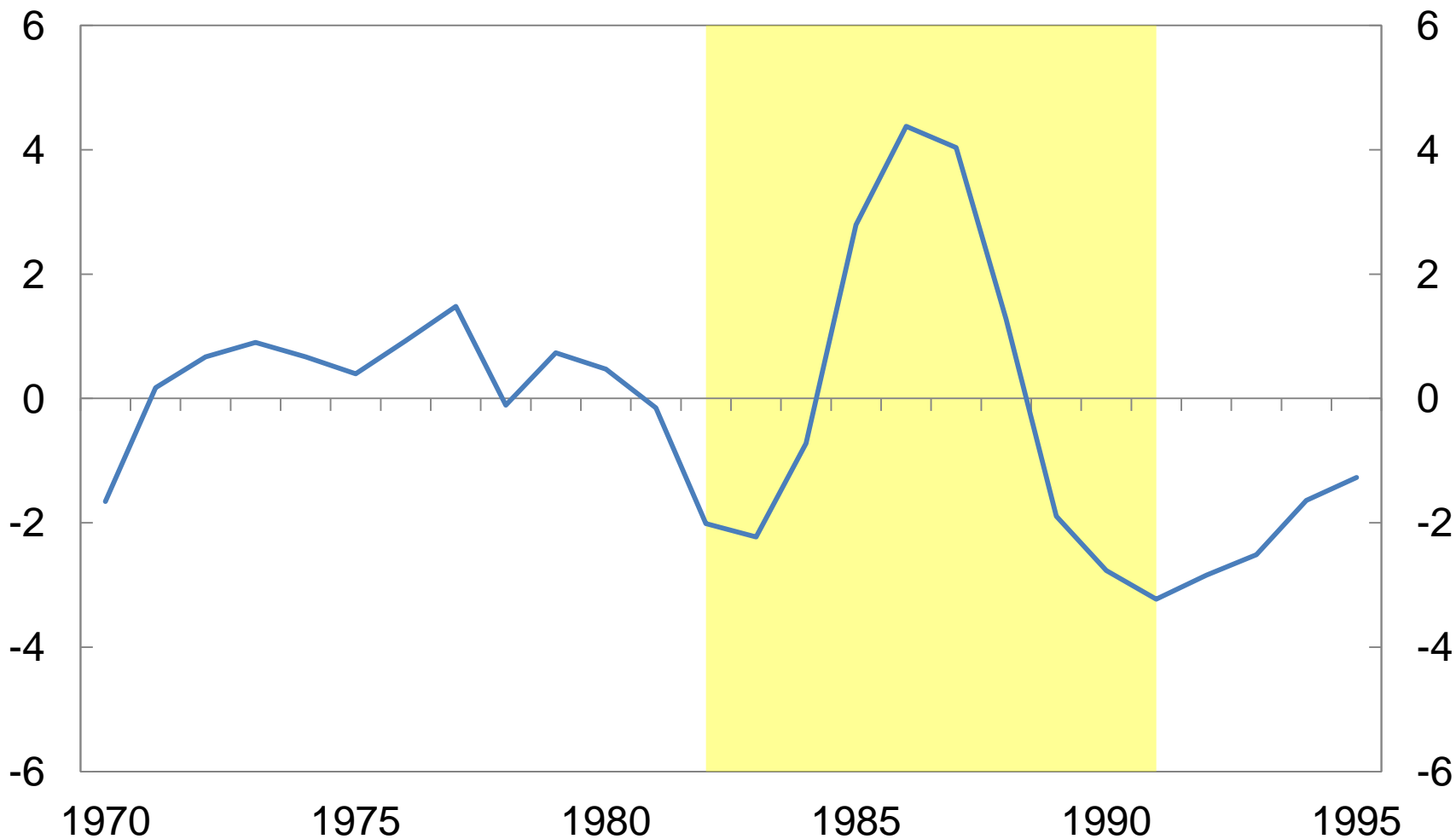
Current account balance as percentage of GDP



Source: Statistics Norway and Norges Bank

# A boom-bust economy

Output gap in Norway. Percent of trend-GDP



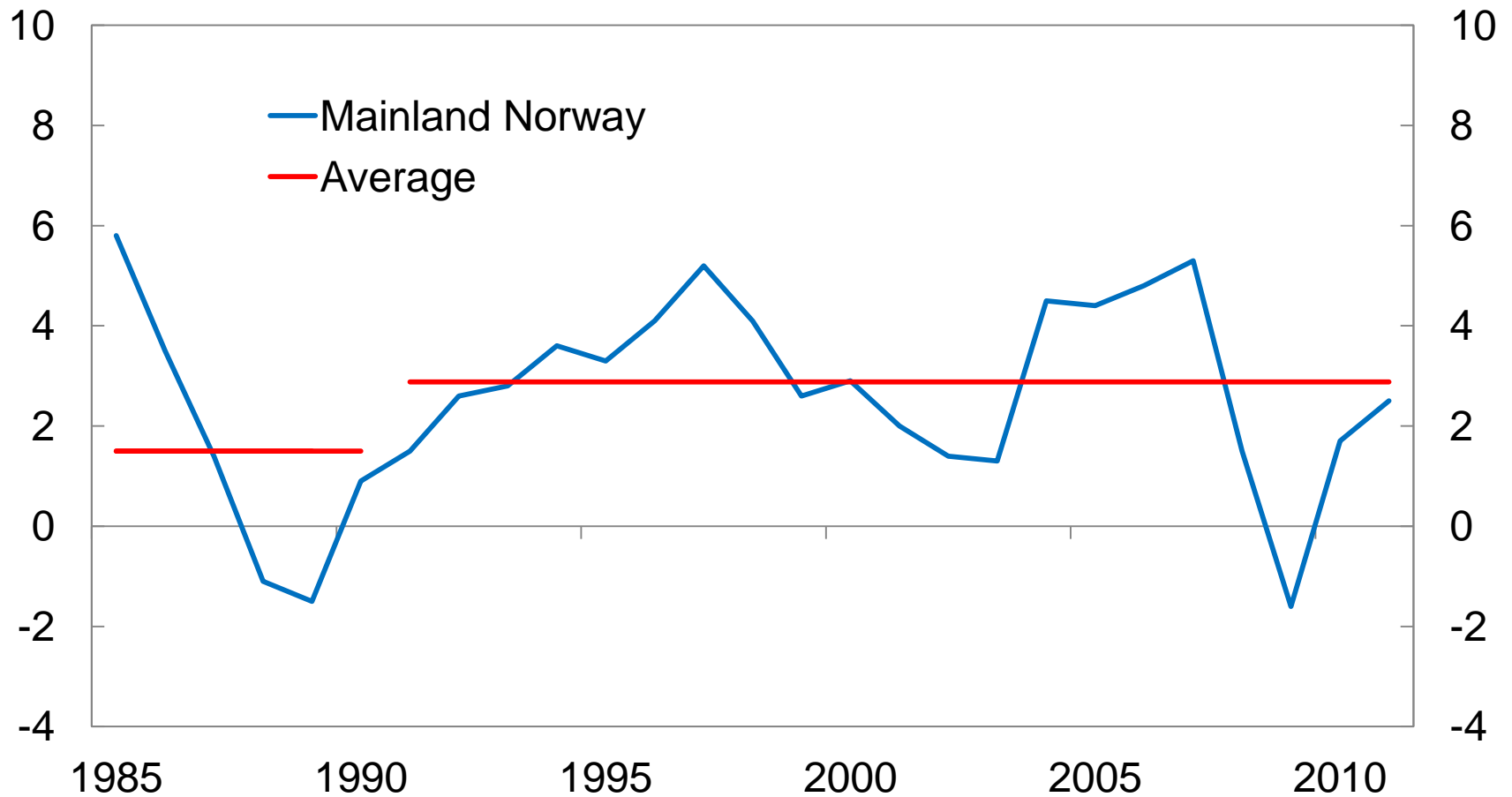
Source: Statistics Norway and Norges Bank

# Measures were taken

- Important reforms early 1990s:
  - Tax system
  - Abolition of support for selective industries
  - Unions and employers
  - Establishment of the Government Petroleum Fund

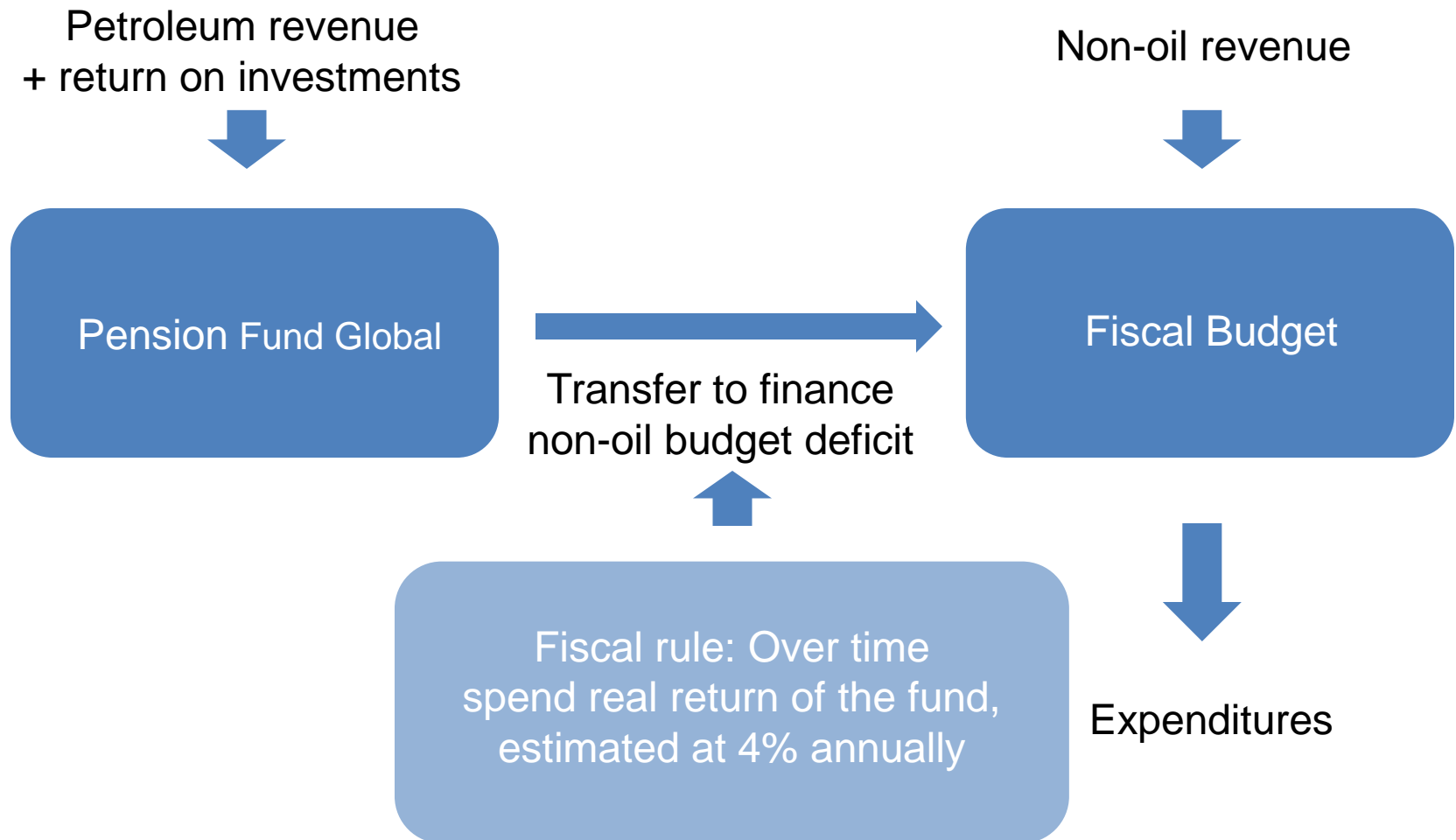
# Two golden decades

Annual change in GDP. Percent



Source: Statistics Norway and Norges Bank

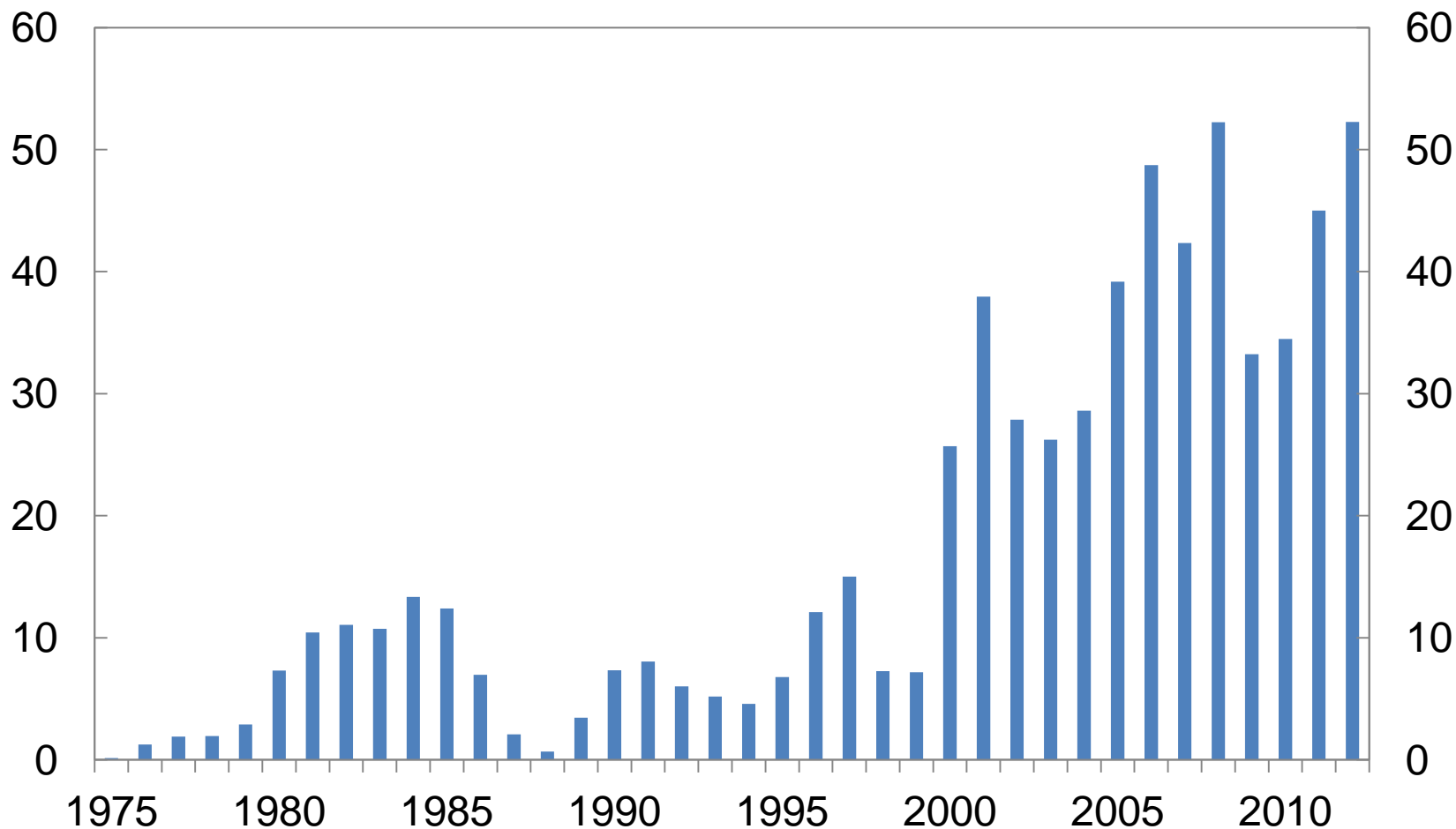
# The fund mechanism





# The cash flow grew rapidly

Government's net cash flow from the petroleum sector. EUR billions



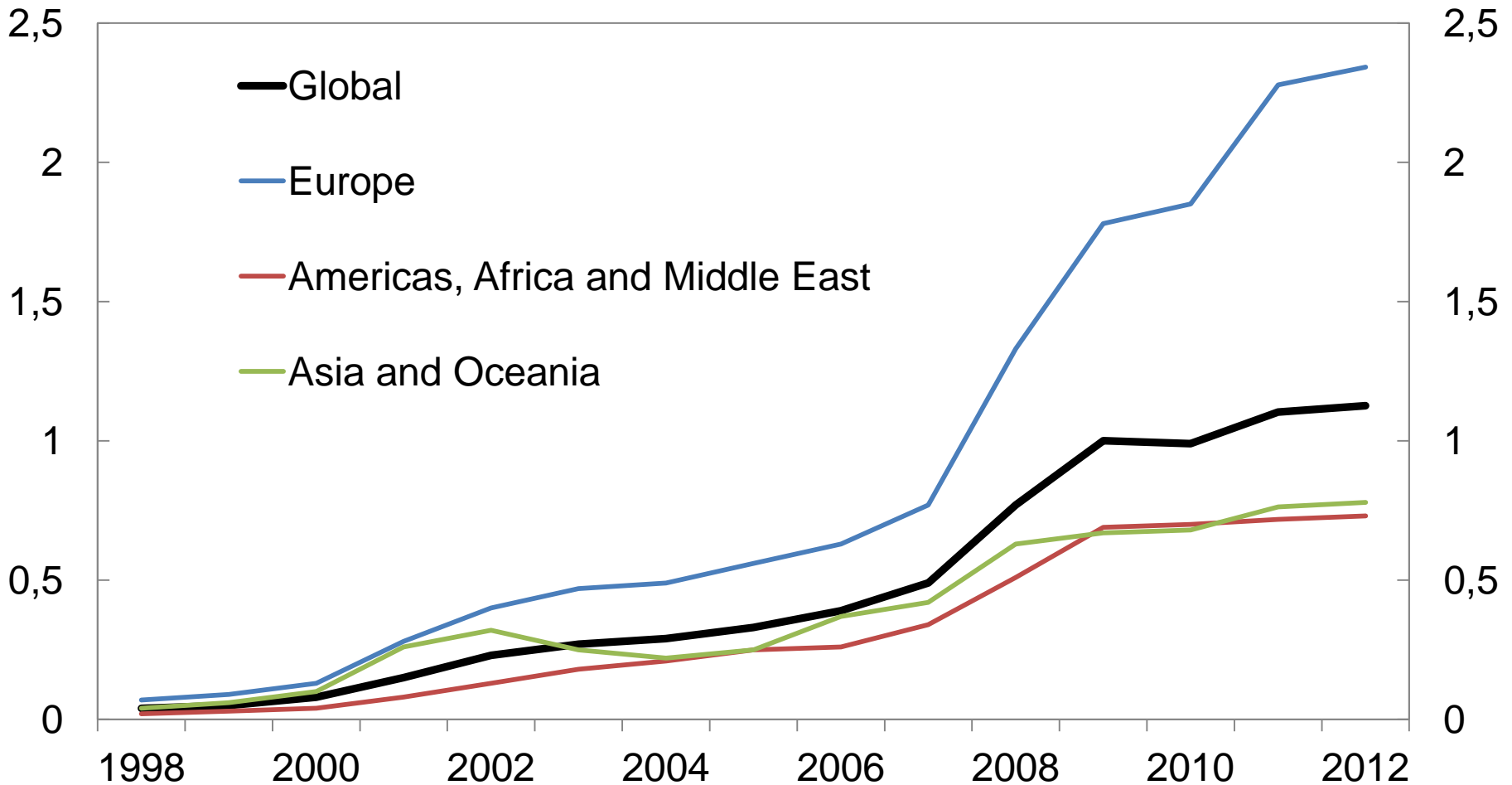
Source: Ministry of Finance: National Budget 2013

# Key characteristics of the Fund

- The fund is
  - large
  - long term
  - with no fixed liabilities

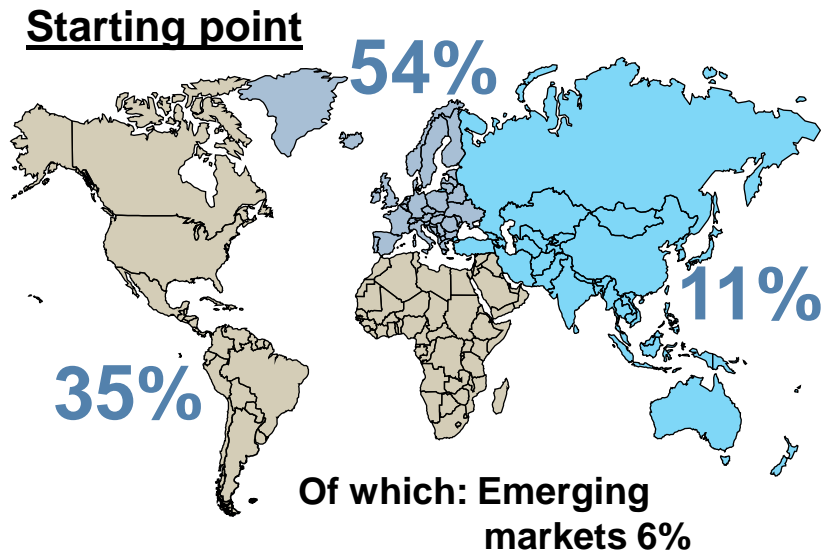
# Considerable overweight in Europe

Average ownership interest in equity markets. Percent



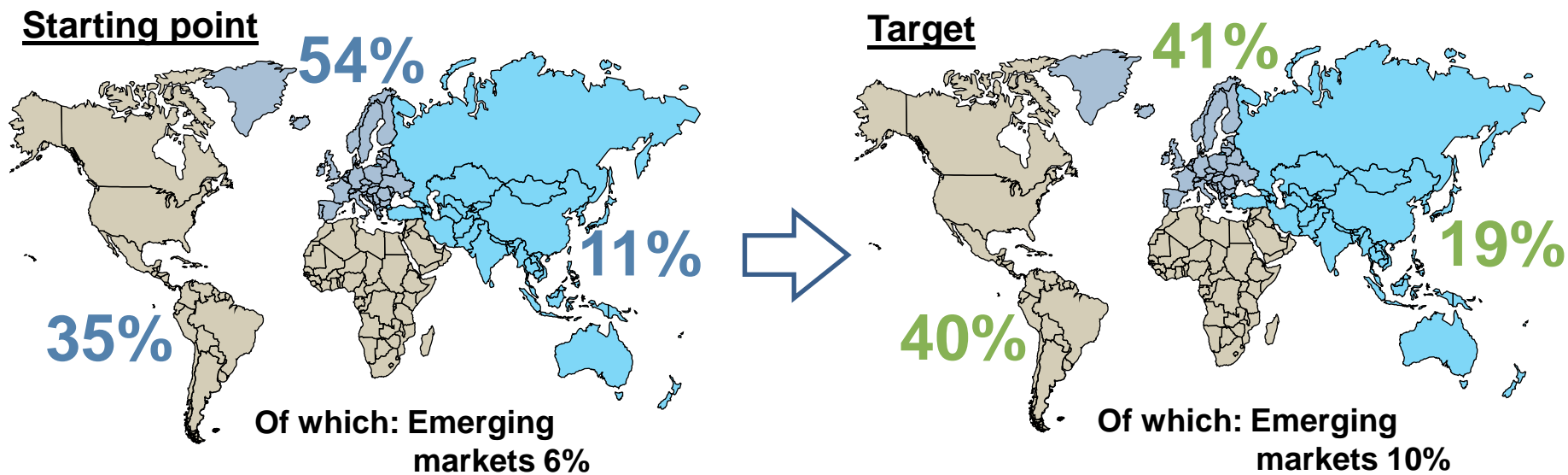
Source: Norges Bank

# Changing the regional allocation



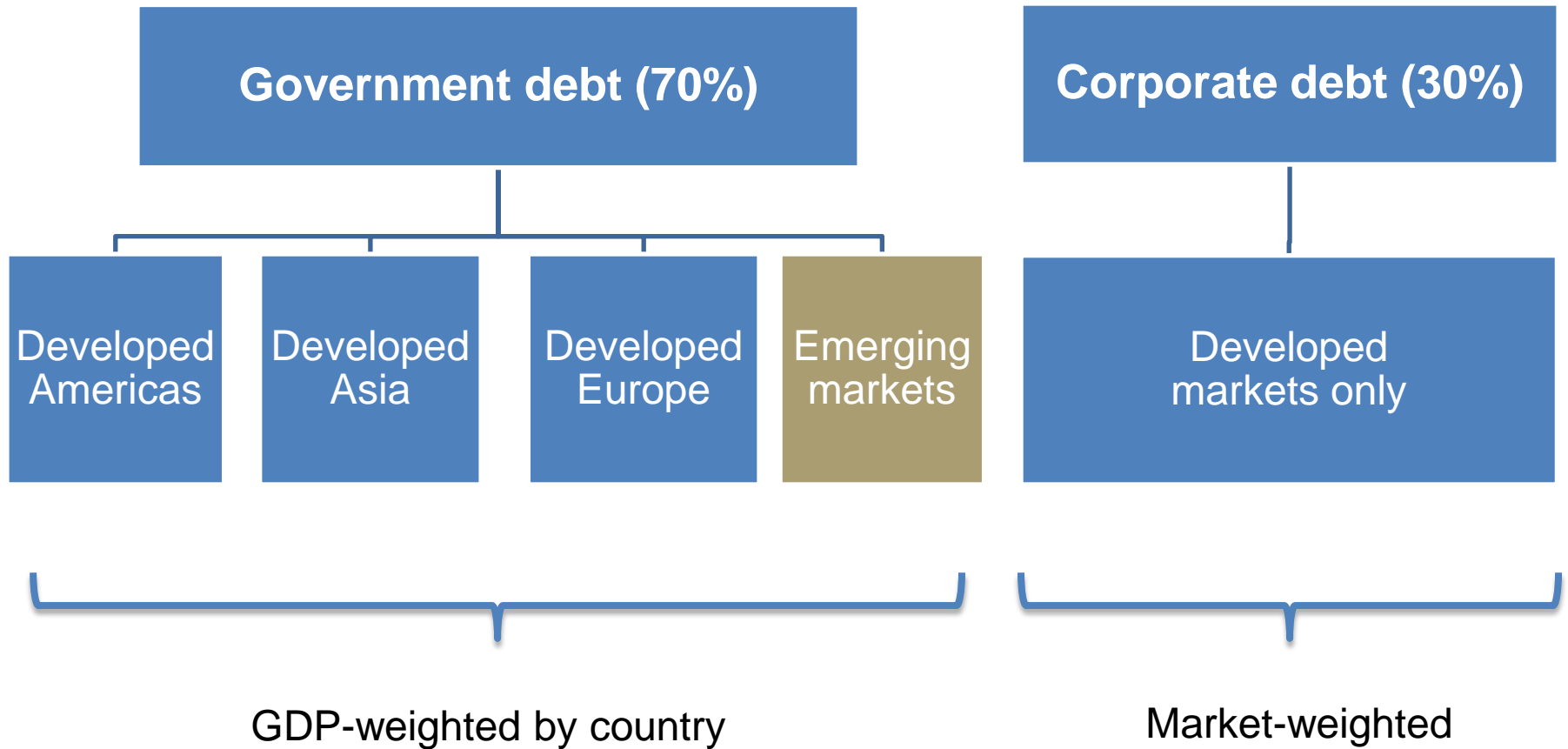
Source: NBIM, Ministry of Finance

# Changing the regional allocation



Source: NBIM, Ministry of Finance

# Fixed income: New benchmark



# There are many facets of risk

*Then there's another dimension to this that has to do with the premia that are being charged on sovereign states borrowings. These premia have to do, as I said, with **default**, with **liquidity**, but they also have to do more and more with **convertibility**, with the risk of convertibility.*

President Mario Draghi, July 26, 2012