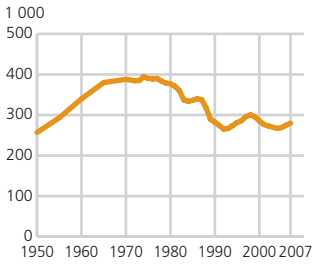


# From manufacturing to oil

**Number of employees in manufacturing and mining**



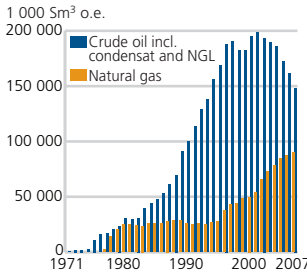
## The rise and fall of manufacturing

Seen as a whole, secondary industries (manufacturing, mining and quarrying, oil extraction, building and construction, electricity and water supplies) have seen a slight decline in employment over the last 30 years, to 513 000 employees today. Relatively speaking however, the decline is far greater, and secondary industries today account for 21 per cent of the employed, compared with almost a third until around 1970.

Since 1974, which was a record year, the number of jobs in manufacturing and mining has fallen by almost a third, from 400 000 to 280 000. This decline occurred at the end of the 1970s and in the 1980s. After an upturn in the 1990s the number has remained at just under 300 000. Today some 11 per cent of all employees work in manufacturing.

Despite a decrease in employment, the production value in manufacturing has increased and now amounts to NOK 700 billion.

**Total production of oil and gas**



## Oil and gas: high production continues ...

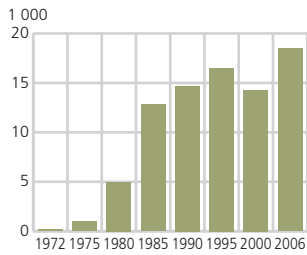
Oil production has fallen since 2001, but since the mid-1990s gas production has increased and today makes up around 40 per cent of the total production, a share that is expected to increase in the years ahead, as the oil production diminishes.

## ... but relatively few employees

From modest beginnings in 1972, employment in oil and gas extraction has gradually increased to 18 500 employees today. In addition, 13 000 are employed in activities related to the petroleum industry.

If we include employees in various supply services, the total number of employees in oil and gas-related activities amounts to approximately 75 000.

**Employment in oil and gas extraction**

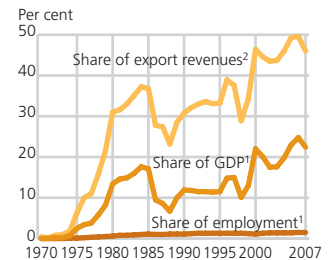


## Substantial values

However, the significance of petroleum activities is far greater than indicated by the employment figures. It is Norway's most profitable industry and makes up more than 20 per cent of the GDP. Furthermore, the petroleum sector's share of total export revenues has reached almost 50 per cent.

Naturally, the economic significance of oil is related to the production volume, but the oil price during the period is also a contributing factor.

**Oil and gas extraction. Share of GDP, export and employment**



<sup>1</sup> Including services.

<sup>2</sup> Only oil and gas.

## Oil price

The graph shows that Norway started producing oil at a very favourable time. Throughout most of the 20th century a barrel of oil cost 2 dollars. At the beginning of the 1970s however, the price increased and almost tripled in connection with the first oil

crisis in 1973-74. During the second oil crisis in 1978-79 there was a further increase. From the mid-1980s until 2003 the price fluctuated between 15 and 30 dollars per barrel. Once again there was a sharp increase in the price of oil after 2004. Despite a major price reduction in 2008, the average price for the year as a whole was still the highest ever.

## Oil prices. Brent Blend



Source: Norges Bank.

## Short life of oil reserves?

The remaining oil and gas reserves on the Norwegian Continental Shelf are estimated at 9 billion Sm<sup>3</sup> oil equivalents. By comparison, the total production up to 2007 amounts to more than 4.8 billion Sm<sup>3</sup> oil equivalents.

Norway's share of the world's oil and gas reserves is just below 1 per cent, but we now contribute 4.3 and 2.8 per cent respectively to the annual oil and gas production. The lifetime of Norwegian reserves is relatively short with regard to oil, but Norway has the potential to be a major gas exporter throughout this century.

## Money in the bank

Oil revenues will gradually decrease, and the increase in the number of elderly people will lead to higher pension, nursing and care expenditures. The Government Pension Fund – Global (the former Government Petroleum Fund), administered by Norges Bank (the Central Bank of Norway), was therefore established, and is funded by oil revenues that are not allocated in the national budget. This fund has increased from NOK 48 billion in 1996 to NOK 2 000 billion at the end of 2007. This corresponds to around NOK 430 000 per capita.

1 Sm<sup>3</sup> (standard cubic metres) oil equivalents (o.e.) = 6.29 barrels

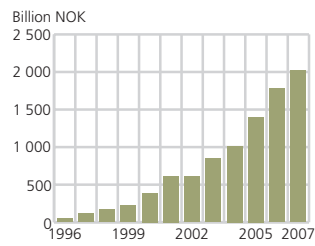
1 barrel = 159 litres

## Largest oil producing countries. 2007. Million barrels/day

Saudi Arabia	10.4
Russia	10.0
USA	6.9
Iran	4.4
China	3.7
Mexico	3.5
Canada	3.3
United Arab Emirates	2.9
Kuwait	2.6
Venezuela	2.6
<b>Norway</b>	<b>2.6</b>

Source: Fact Sheet. Ministry of Petroleum and Energy.

## Government Pension Fund – Global



Source: Norges Bank.