

1.1% Real GDP growth 2025 (mainland 1.7%)	\$531 bn Nominal GDP 2025; 5.6 m people	\$97,310 GNI per head 2025; HDI rank 2nd	~45% Exports % of GDP; oil & gas 57% of goods exports	+14.0% Current account surplus % of GDP 2025
3.1% CPI 2025 (target 2%); 3.3% Aug 2026	4.6% Unemployment (survey) 2025; registered 2.1%	19.1% Aged 65+ (2025)	~0.27 Gini (World Bank 2023); US ~0.42	NOK 22.7 trn Wealth fund, June 2026 (≈\$2.3 trn)

STRUCTURE OF THE ECONOMY

	% OF VALUE ADDED (APPROX.)	% OF JOBS (2025)
Agriculture & fish	~1.8	2.5
Industry (incl. oil)	~37.9	17.8
Services	~60.4	79.7

- Oil is capital-intensive: big output, few jobs. Focus on **mainland GDP**.
- AD mix**: C only ~43% of GDP (oil inflates GDP), high G, oil-led I (23% of investment), large positive (X-M).
- State**: spending ~61% of mainland GDP; owns 67% of Equinor.

MAIN INDUSTRIES

- Oil & gas**: largest sector; state cash flow NOK 664 bn (2025).
- Gas for Europe**: >30% of EU + UK gas use (2025).
- Seafood**: 2nd-largest export; top farmed salmon producer.
- Hydropower**: ~90% of electricity; aluminium (Norsk Hydro), fertiliser.
- Maritime**: shipping, offshore engineering, carbon capture.
- Public services**: ~3 in 10 workers; finance manages the fund.

GROWTH STORY: TURNING POINTS

1969 Ekofisk oil discovered	1972 / 1994 EU rejected; EEA from 1994	1990 Petroleum Fund created (first money 1996)	2001 Fiscal rule (4%) and inflation targeting
2014 Oil price halves; krone falls, cushions shock	2017 Rule cut to 3%; 2% inflation target (2018)	2022 Europe's main gas supplier; record revenue	2026 Oil shock; fund NOK 22.7 trn; rate up to 4.5%

Why Norway avoided the resource curse: strong institutions, 78% petroleum tax, fund invested abroad, spending capped at ~3%.

SEVEN PROBLEMS

PROBLEM	EVIDENCE	SPEC LINK
Petroleum dependence	57% of goods exports; fields decline 2030s	Primary product dependency
Inflation	Above 2% since 2021; 3.3% Aug 2026	Imported inflation
Reliance on fund	13.1% of mainland GDP (2026)	Fiscal sustainability
Dutch disease risk	Strong krone 2026; high costs	Competitiveness
Slow mainland growth	+0.5% in year to Q2 2026	Productivity
Climate dilemma	EVs 95.9% at home; exports gas	Externalities
Ageing	19.1% aged 65+	Dependency ratio

INEQUALITY & DEVELOPMENT

- Gini ~0.27 vs UK 0.32, Germany 0.34, US 0.42.
- HDI 2nd (2025 report), top for many years.
- Taxes (excl. petroleum) just over 40% of mainland GDP.
- Progressive and wealth taxes, universal welfare, centralised wage bargaining.
- Tensions: rich moving abroad; Oslo vs rural; house prices.

Resource curse beaten? For: fund, rule, HDI, low Gini. Against: already rich before oil; budget relies on the fund.

CLASSIC CHAINS USING NORWAY

Dutch disease: oil exports ↑ → demand for krone ↑ → krone appreciates → fish, metals, tourism dearer abroad → non-oil exports ↓.

The fund as a cure: revenue saved abroad → less krone bought → smaller appreciation → non-oil exporters stay competitive; spending smoothed at ~3%.

Oil price rise: export prices ↑ → terms of trade improve → national income ↑ → fund grows → small rise in allowed spending, little short-run boost to AD.

A · DATA RECALL (1 MARK EACH)

1. GNI per head in 2025: _____
2. Value of the wealth fund (June 2026): _____
3. Share of fund the budget may use a year: _____
4. Oil & gas share of goods exports: _____
5. Current account balance, % of GDP: _____
6. Gini coefficient (approx.): _____
7. Year of second EU "no" vote: _____
8. Norges Bank policy rate (Sept 2026): _____

B · MATCH THE EVIDENCE TO THE ECONOMIC CONCEPT

NORWAY EVIDENCE	LETTER	CONCEPT
1. Oil boom pushes up the krone and hurts fish exporters		A. Terms of trade
2. Higher gas prices mean each export buys more imports		B. Dutch disease
3. Petrol cars taxed heavily, EVs given tax breaks		C. Sovereign wealth fund
4. Oil revenue invested in foreign shares and bonds		D. Correcting a negative externality
5. Single-market access without EU membership		E. Redistribution
6. Wealth tax and free healthcare narrow income gaps		F. European Economic Area

C · COMPLETE THE CHAINS

1. Oil exports rise → _____ → krone appreciates → _____
2. Norges Bank raises interest rates → _____ → _____ → inflation falls.
3. Revenue saved in a fund abroad → _____ → _____ → stable public spending.

D · EXAM-STYLE QUESTIONS

Extract. In 2025 the Norwegian state's net cash flow from petroleum was NOK 664 billion, and oil, gas and related products made up 57% of goods exports. This revenue is paid into the Government Pension Fund Global, which invests only outside Norway and was worth NOK 22,683 billion in June 2026. Under the fiscal rule, the budget may use about 3% of the fund each year; the 2026 budget uses 2.8%.

(5 marks) With reference to the extract, explain one reason why Norway saves most of its petroleum revenue in a fund invested abroad.

(8 marks) Examine how a rise in world oil prices may affect Norway's economy.

E · PLAN A 25-MARK ANSWER

(25 marks) Evaluate whether natural resource wealth is more likely to help or to harm a country's economic development.

ARGUMENTS THAT IT HELPS (WITH NORWAY EVIDENCE)	ARGUMENTS THAT IT HARMS (WITH OTHER EXAMPLES)
OVERALL JUDGMENT: IT DEPENDS ON...	

A · DATA RECALL

1. \$97,310 (accept about \$97,000)
2. NOK 22.7 trillion (about \$2.3 trn)
3. About 3% (2.8% in the 2026 budget)
4. 57%
5. Surplus of about 14%
6. About 0.27
7. 1994
8. 4.5%

B · MATCHING

1 → B · 2 → A · 3 → D · 4 → C · 5 → F · 6 → E

C · CHAINS

1. Demand for krone rises (foreign buyers pay for oil and gas) → other exports such as fish, metals and tourism become dearer abroad, so they fall (Dutch disease).
2. Mortgage and borrowing costs rise / krone strengthens → consumption falls and import prices fall, so AD and cost pressures fall.
3. Less foreign currency converted into krone, so smaller appreciation / no overheating → fund grows and spending is limited to about 3% of its value.

D · EXAM-STYLE GUIDANCE

5 marks: Identify a reason (1): avoid Dutch disease; save a finite, volatile revenue for the future; prevent overheating and inflation. Explain the chain (2): e.g. spending NOK 664 bn at home would mean converting it into krone → appreciation → non-oil exports less competitive. Link to the rule: only ~3% (2.8% in 2026) is spent, smoothing spending (1). Use extract data (1).

8 marks: Knowledge/analysis: terms of trade improve; export revenue, current account surplus and state petroleum revenue rise; the fund grows; oil investment and jobs rise; krone may appreciate. Evaluation (2 points for full marks): fiscal rule limits extra spending now, so the effect on AD is small; stronger krone hurts other exporters; higher fuel prices add to inflation already above target (3.3% Aug 2026); effect depends on whether the price rise lasts.

E · 25-MARK PLAN: POINTS TO LOOK FOR

Helps

- Revenue for public services and investment; foreign currency.
- Norway: GNI per head \$97,310, HDI 2nd, Gini ~0.27.
- A fund saves wealth for future generations (NOK 22.7 trn).
- Botswana: diamonds funded schools and roads.
- Attracts FDI and builds skills (offshore engineering).

Harms

- Dutch disease: currency appreciation hurts other sectors.
- Price volatility: 2014 collapse; boom and bust.
- Primary product dependency; finite resource.
- Corruption, rent-seeking and conflict (Nigeria).
- Weak incentive to diversify or tax other income.

Judgment: the outcome depends on institutions, how resource rents are taxed and owned, and rules on spending. Norway and Botswana show good policy can avoid the curse; Nigeria shows the risks without it.