



# Oslo Outlook

March 2023

**oslo**  
Oslo Business Region



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# Summary

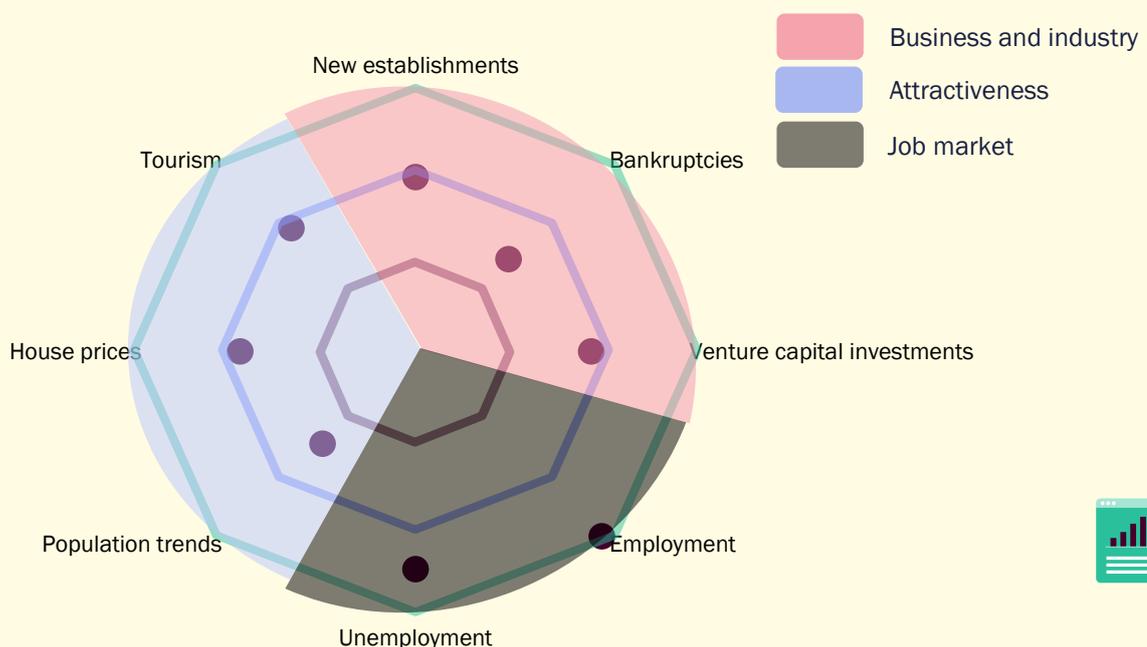
**Job market in Oslo.** After a period with a downward trend, unemployment in Oslo has stabilized at around 2 percent. Employment continues to rise in the fourth quarter, particularly in the construction industry. At the same time, the number of vacancies is now at a normal level, after a long period of high pressure. Rising price levels for both consumers and businesses, in combination with rising interest rates, have had a dampening effect on personal consumption, which in turn has had a dampening effect on the need for labour. How the labour market will develop in the future is uncertain. Several major employers are downsizing, both in the private and public sector. Expected increases in interest rates and tightening of public spending point in the direction of higher unemployment.

**Business and industry in Oslo.** The number of newly established enterprises rose from the third to the fourth quarter of 2022. The number was somewhat lower than during the pandemic, but still maintains a high level. The number of bankruptcies in Oslo grew by 33 percent from the third to the fourth quarter of 2022. The number of investments in Oslo fell from the third to the fourth quarter in 2022, but still maintains a high level, despite rising interest rates. The number of investments in Oslo has been consistently higher than in Helsinki and Copenhagen, which may mean that Oslo is successfully producing exiting new companies. Preliminary figures for the first quarter of 2023 show that the number of investments in Oslo is higher than in Copenhagen and Helsinki.

**Attractiveness of the city.** Housing prices in Oslo rose at the beginning of 2023, after falling continuously since August. After a year with a lot of fluctuations in house prices, the price level in February 2023 is roughly the same as in April the previous year. The pressure is still high in the economy, with low unemployment and high employment. Very few new homes were started in 2022 compared to previous years. In the long term, this may lead to a housing shortage. The combination of these factors can push housing prices in Oslo upwards. At the same time, high inflation and high employment may lead to a further increase in the key policy rate. On its own, these factors cause a reduction in house prices, as they did in the autumn of 2022. The outlook for Oslo's housing prices is therefore uncertain.

*The report has been compiled by Menon Economics on behalf of Oslo Business Region. The contact person at Oslo Business Region is Tonje Ørnholt. The report is published quarterly and is based on the latest available data.*

**Figure 1: Overall assessment of the indicators within the areas of business and industry, attractiveness and job market. Each indicator is ranked from 1-6, where 6 is assessed as a very positive development.**

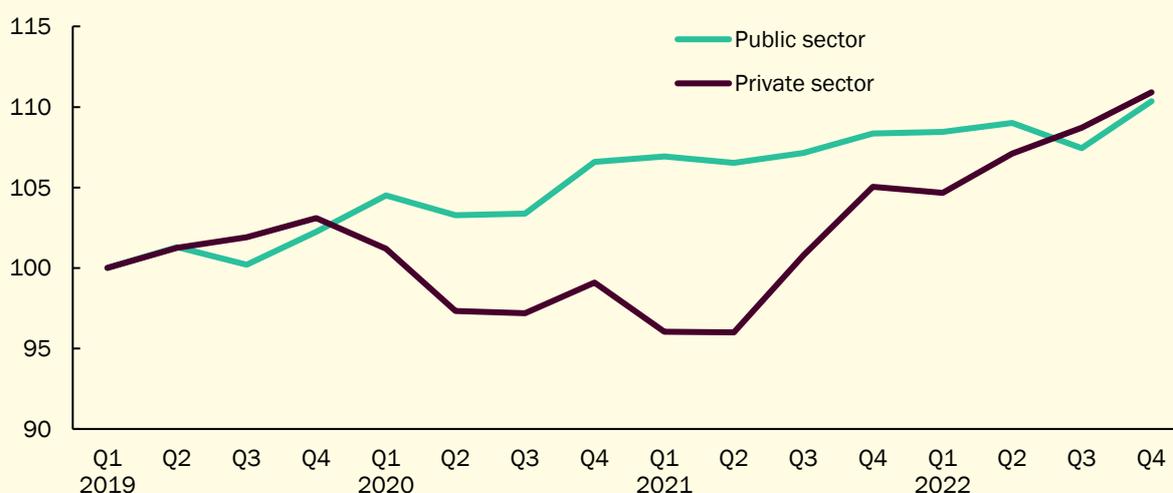


# Job market

## Employment

Employment in Oslo continued to rise in the fourth quarter of 2022, growing by 2.2 percent from the previous quarter. Private sector employment grew by 2.0 percent, while employment in the public sector grew by 2.7 percent. Employment was thus higher in the public sector than in the private sector. Employment in the private sector has grown steadily throughout 2022 and was in the fourth quarter 5.6 percent higher than in the first quarter.

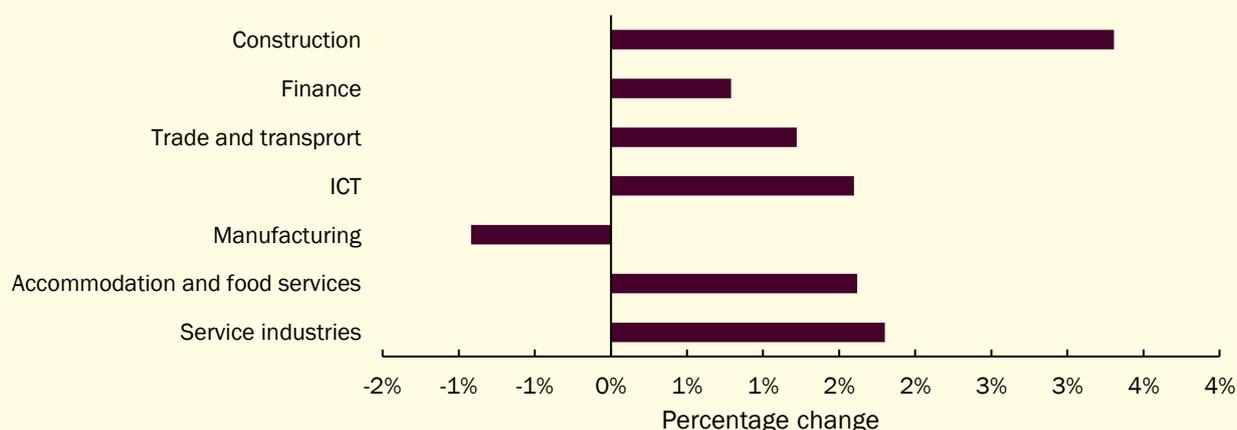
Figure 2: Employment in Oslo. Indexed (2019 Q1 = 100). Source: Statistics Norway table 13164



Employment grew from the third to the fourth quarter in all industries except manufacturing, where it fell by almost 1 percent. The construction industry grew by far the most, employing 3.3 percent more people than in the previous quarter. In the last year, employment in this industry has grown by more than 8 percent.

The ICT industry grew by 1.6 percent and is the industry that has grown the most in the last three years. The industry employed almost 30 percent more people in the last quarter of 2022 compared to the first quarter of 2019. The accommodation and food services industry continues to grow after the pandemic, and employment in the industry is now 14 percent higher than in the first quarter of 2019.

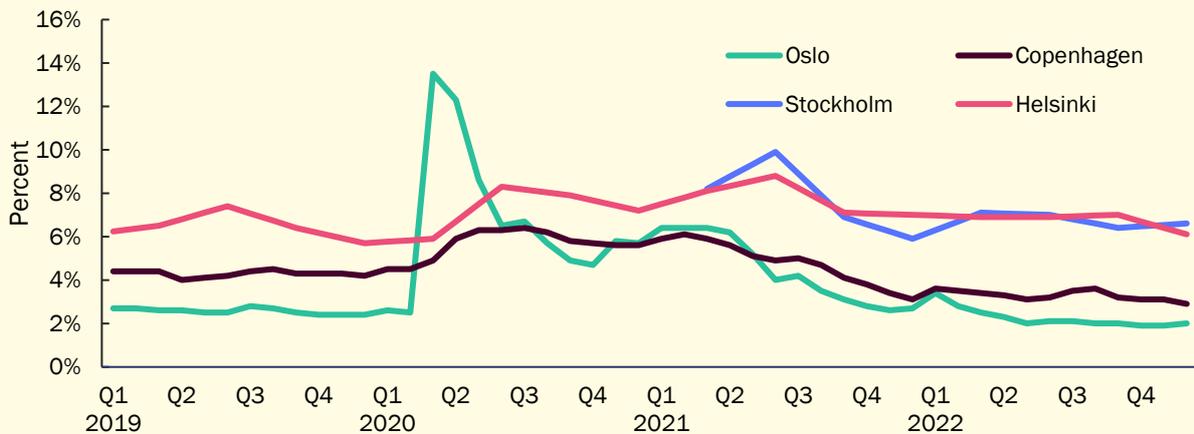
Figure 3: Quarterly employment in Oslo, Q4 2022. Source: Statistics Norway table 13164



# Unemployment

Unemployment in Oslo stood at 2 percent in December 2022, and seems to have stabilized around this level during 2022. This is lower than before the pandemic, when unemployment averaged 2.5 percent. The combination of high interest rates and tightening of public spending could drive up the unemployment rate in the long term. At the same time, layoffs have been announced in several large companies and public enterprises. There may therefore be reason to expect a higher unemployment rate in the long term. Compared to the other Nordic capitals, Oslo has had a lower unemployment level over time.<sup>1</sup> Copenhagen is stable, about one percentage point above Oslo, and had an unemployment rate of 2.9 per cent in the fourth quarter. In the same period, Stockholm and Helsinki had 6.1 and 6.6 percent unemployment respectively.

**Figure 4: Unemployment rate in Nordic capitals, latest available data for each city. Source: NAV, Statistics Sweden, Statistics Denmark, Statistics Finland**

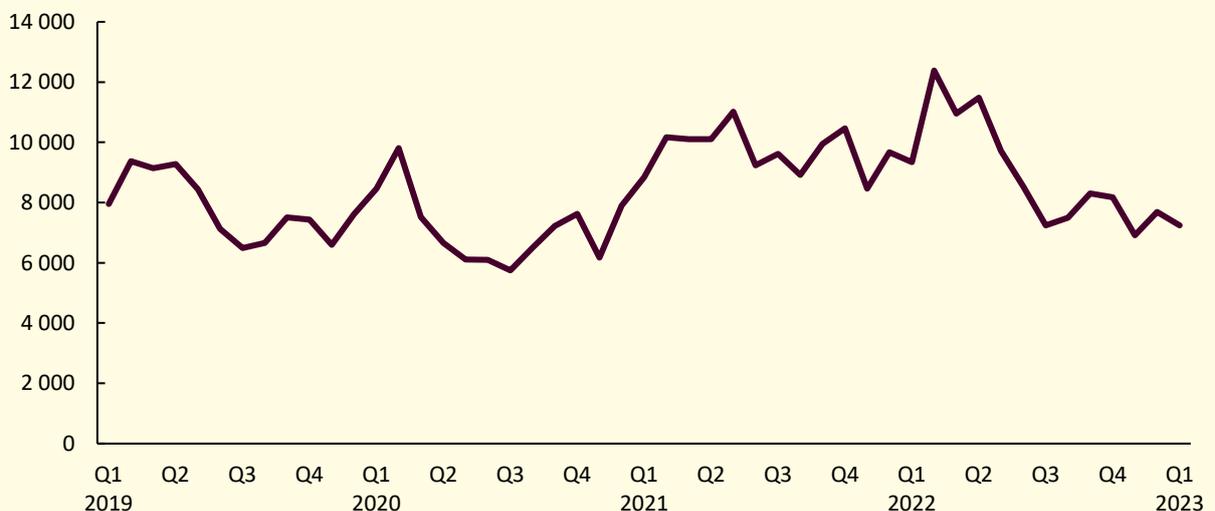


# Vacancies

In the fourth quarter of 2022, the number of vacancies was at a normal level historically speaking. The pressure on the job market in Oslo appears to have decreased somewhat at the end of 2022. This may be due to increased interest rates and high inflation, which has weakened consumers' purchasing power.

Nationwide, companies still report labor shortages<sup>2</sup>, but to a somewhat lower extent than in 2021 and 2022 in general. Nevertheless, the proportion of companies reporting labor shortages is still higher than normal and remains at levels not seen since 2007.

**Figure 5: Number of vacant positions in Oslo, three-month moving average.<sup>3</sup> Source: NAV**



<sup>1</sup> The difference in unemployment in the spring of 2020 is due to differences in the way of counting temporary layoffs due to the corona pandemic in the unemployment statistics.

<sup>2</sup> As reported in the Central Bank of Norway's Regional Network

<sup>3</sup> For Q3 2022, data for July were used.

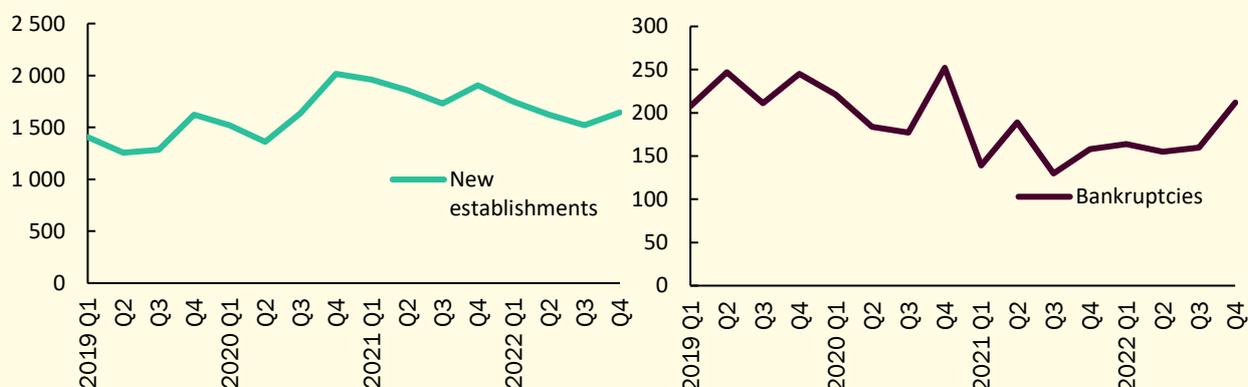
# Business and industry

## New establishments and bankruptcies

The number new business established in Oslo rose from 1,550 in the third quarter to 1,650 in the fourth quarter. This is high relative to historical levels, but somewhat lower than during the pandemic.

212 companies were declared bankrupt in Oslo in the fourth quarter, up 33 percent from the previous quarter. This is the highest number observed in any quarter since the fourth quarter of 2020 and about on par with the typical number of bankruptcies for the city in the years before the pandemic. Between 2013 and 2020, an average of 200 companies in Oslo went bankrupt per quarter. In January and February 2023, 123 companies have been declared bankrupt so far.

Figure 6: Number of new establishments and bankruptcies in Oslo. Source: Statistics Norway table 08076 and 10790

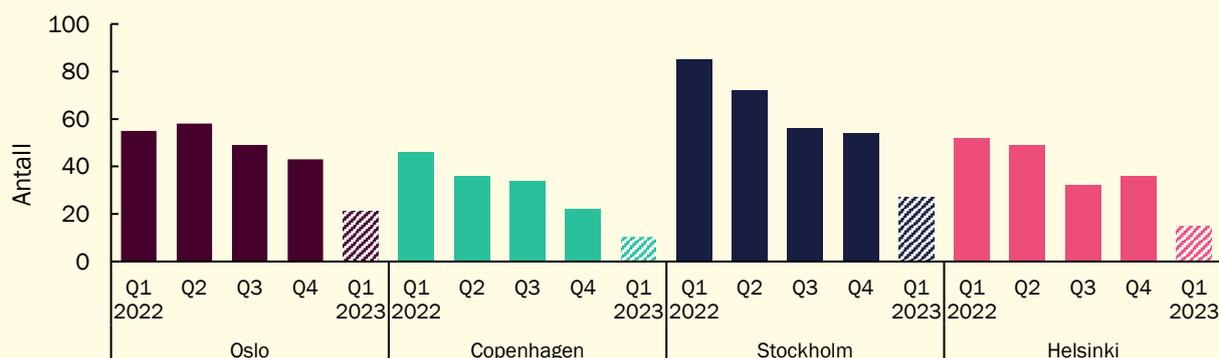


## Investments in scale-ups

Among the Nordic capitals, most investments in the fourth quarter of 2022 went to scale-ups in Stockholm. Dealroom has registered 43 investments in Oslo, 54 in Stockholm, 36 in Helsinki and 22 in Copenhagen. The number of investments in all four cities has fallen from the third to the fourth quarter, and the second half of 2022 has generally had lower activity than the first half in all four capitals. Particularly in Stockholm and Copenhagen. Higher interest rates lead to a repricing of scale-ups, but despite this, the level of investment seems to have remained high. Preliminary figures for the first quarter of 2023 find 21 investments in Oslo. The number is markedly higher than in Copenhagen and Helsinki, but somewhat lower than in Stockholm.

Oslo is also in second place concerning investment amounts. Investments in the fourth quarter of 2022 were largest in Stockholm, where 635 million dollars in investments were registered. 420 million dollars were invested in Oslo, 208 million dollars in Copenhagen, and 140 million dollars in Helsinki.

Figure 7: Number of investments in scale-ups in the Nordic capital regions. Data are from 02.03.2023, Q1 2023 can thus not be directly compared with Q4 2022. Source: Dealroom.co



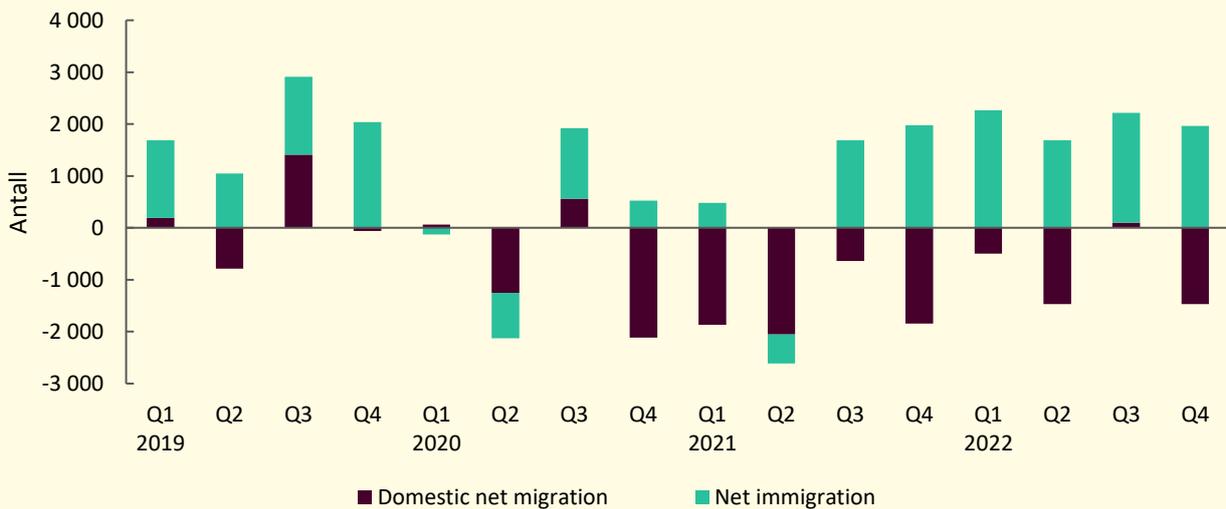
# Attractiveness

## Population trends

In total, there were 500 more people who moved into Oslo than moved out of the city in the fourth quarter. This growth is driven by immigration. There were far more people who moved to Oslo from abroad than moved abroad from Oslo. Domestic net migration to Oslo was negative at the end of 2022.

It is not unusual for domestic net migration to be negative, but in the last two years this has happened more often, and to a greater extent than usual. In 2020 and parts of 2021, this was due to the pandemic. Although social distancing measures and increased use of home offices have ended in the city, migration to Oslo has still not returned to historic levels. Norwegians' preferences for where they want to live seem to have changed. Rising living costs due to high inflation coupled with the relatively high housing prices in Oslo will support this trend also in the time to come.

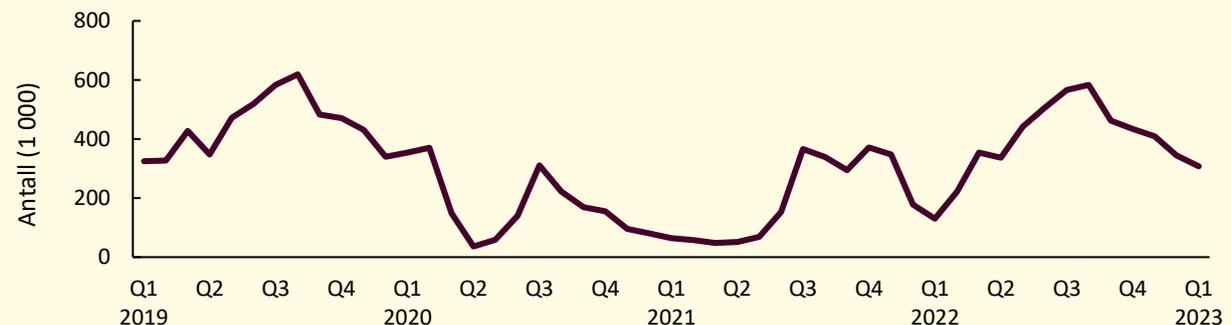
Figure 8: Quarterly domestic net migration and net immigration to Oslo.<sup>4</sup> Source: Statistics Norway table 01222



## Visitors

In the fourth quarter of 2022, Oslo had an average of 400,000 overnight stays per month. In January, the city had 300,000 overnight stays, which is a slightly lower level than in January 2019 and 2020. In the short term, a fall in the number of overnight stays is expected, followed by an increase towards the third quarter, when the number of visitors is expected to reach a peak.

Figure 9: Number of overnight stays in Oslo. Source: Statistics Norway table 08403



<sup>4</sup> Net immigration is here defined as immigration minus emigration during the period. Net domestic migration is migration from other parts of Norway to Oslo minus migration from Oslo to other parts of Norway.

## Development in house prices

House prices in Oslo rose by 4.7 percent from December 2022 to February 2023, after falling continuously since August. High growth in house prices in the first half of the year was offset by a corresponding fall in the second half of the year. At the end of February, house prices were almost at the same level as in April 2022.

In 2022, the key policy rate rate was increased by 2.25 percentage points, which has significantly weakened households' borrowing capacity. The house price increase in January and February may be due to recent changes in the lending regulations. Until 1 January 2023, borrowers had to demonstrate that they could absorb a hypothetical increase of 5 percentage points in the lending rate in order to get a loan. This requirement was adjusted down to 3 percentage points at the turn of the year. This has strengthened the borrowing capacity of households, which in turn contributes to increasing house prices.

The development of house prices for 2023 is uncertain. The Central Bank of Norway has signaled that the policy rate will reach a peak of 3 percent in 2023, but high inflation, low unemployment and a weak currency point towards increasing the policy rate more than first anticipated. An increase in interest rates can, as we saw last autumn, lead to a fall in housing prices. Expectations of increased interest rates can lower household demand, which can reduce house prices. Increasing cost of living pull in the same direction.

**Figure 10: House price development in Oslo. Indexed (January 2019 = 100). Source: Eiendom Norge, Eiendomsverdi AS and Finn.no. Adapted by Krogsveen.**

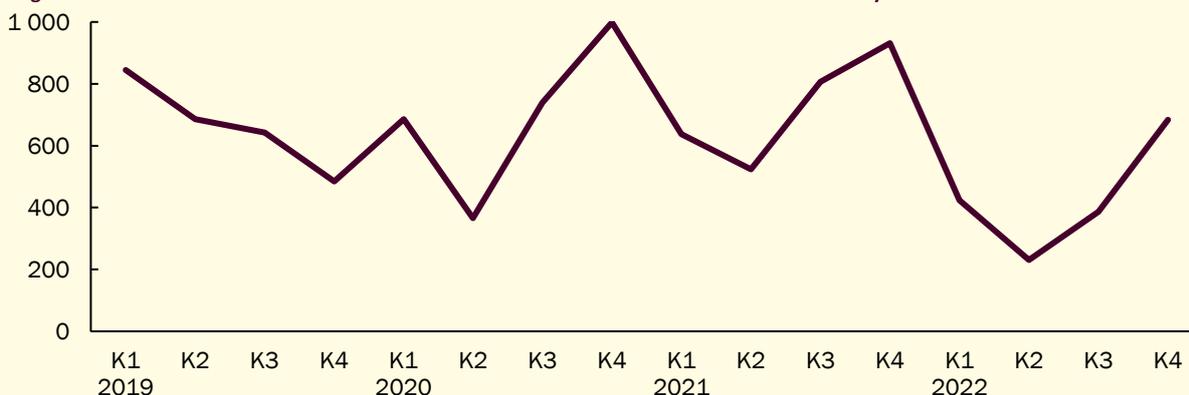


## Houses under construction

In the fourth quarter of 2022, construction of 684 new homes was started in Oslo. Similar to 2020 and 2021, the last quarter was the period with the most construction starts during the year. Few new housing projects were started in in 2022, around 1,700 in total. In comparison, almost 2,800 homes were started on average annually in 2019, 2020 and 2021.

The low number of new housing projects under construction in 2022 is influenced by several factors. High energy prices, high material costs for the construction sector and sluggish supply chains have led to increased costs for housing development. In addition, a temporary building ban has been imposed in some residential areas in Oslo. All this contributes to the fact that the expected return on housing projects may have been adjusted down. This can lead to a diversion of capital away from housing projects..

**Figure 11: Number of new home construction starts in Oslo. Source: Statistics Norway**





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