



Oslo Outlook

September 2023



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Summary

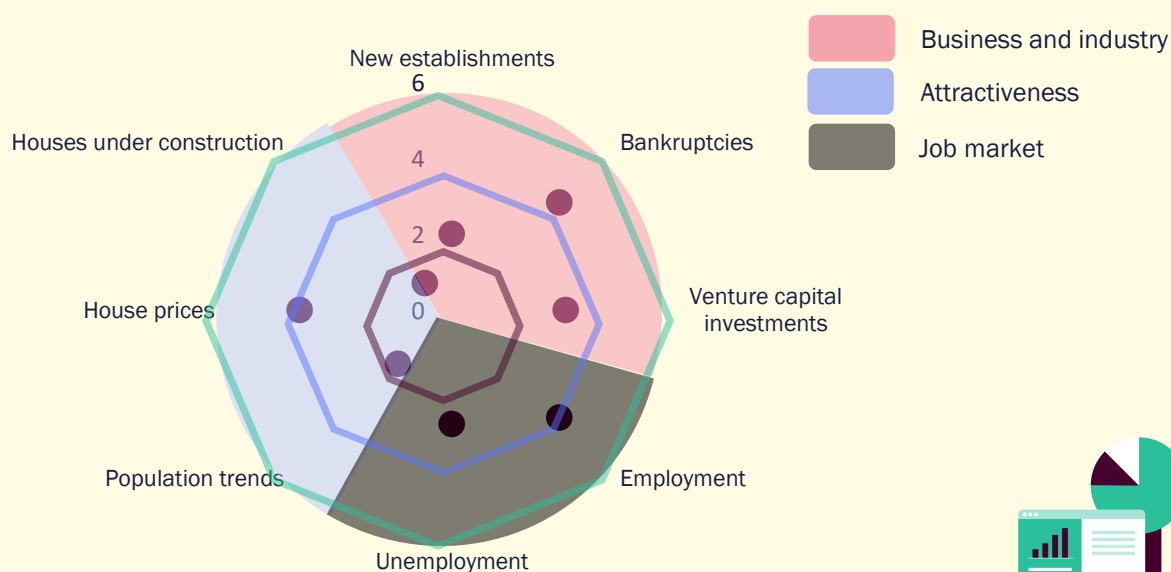
Job Market in Oslo: Employment grew by 0.6 percent in the second quarter of 2023. The highest growth was observed in the accommodation and food services, which is experiencing increased demand with the highest number of visitors to Oslo in July since 2019. The only sector that saw a decline in employment was the construction industry. At the same time, the number of vacant positions in the city decreased. This resulted in 2.2 unemployed individuals for every vacant job in the second quarter, the highest level since before the pandemic. This suggests that the pressure in the labor market has eased.

Business in Oslo: In the second quarter, 1,239 companies were established in Oslo, the lowest number in a single quarter since the fourth quarter of 2018. Unemployment remains low, and economic activity is stable, which typically leads to fewer people choosing to start new businesses. Particularly, there are few newly established companies in the construction sector, where the rate is usually high. The number of bankruptcies decreased by 16 percent from the first to the second quarter of 2023. There had been concerns that an increase in interest rates would lead to a significant rise in bankruptcies, but that has not happened so far.

City Attractiveness: In the second quarter of 2023, a record-low number of housing units were initiated in Oslo, with only 110 units. Housing prices in Oslo increased by 0.6 percent from April to July and are now at the same level as the previous peak in August 2022. Housing prices are holding steady despite significant increases in interest rates and housing expenses. One reason for this may be the lack of new housing under construction and a shortage of new housing units on the market.

The population of Oslo decreased by 600 people in the second quarter of 2023. This is the first quarter of negative population growth in Oslo since the second quarter of 2021, when the city still was affected by the pandemic. Historically, the second quarter tends to have weaker population growth, while the third quarter often sees net domestic migration as students move in.

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.



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.

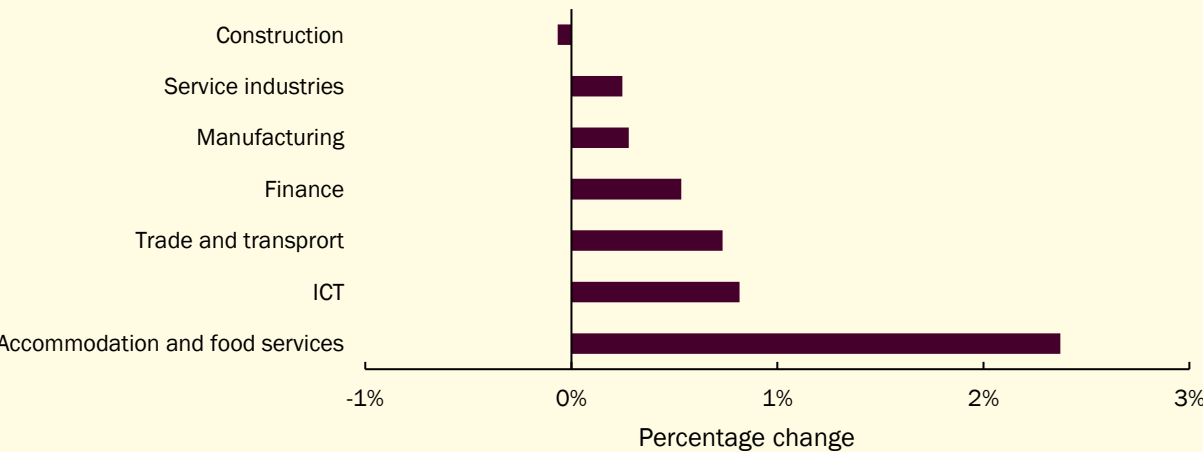
Job market

Employment

Employment grew by 0.6 percent in the second quarter of 2023, following a decline in the first quarter. The highest growth was in the accommodation and food service industry, and only in the construction industry did the decline in employment continue from the previous quarter, likely due to a low initiation of new construction projects. In the other sectors, employment growth was positive.

Unemployment in Oslo increased from 2.2 percent in May and June to 2.4 percent in July. Unemployment is still at a low level, but this is the highest level Oslo has seen since March 2022.

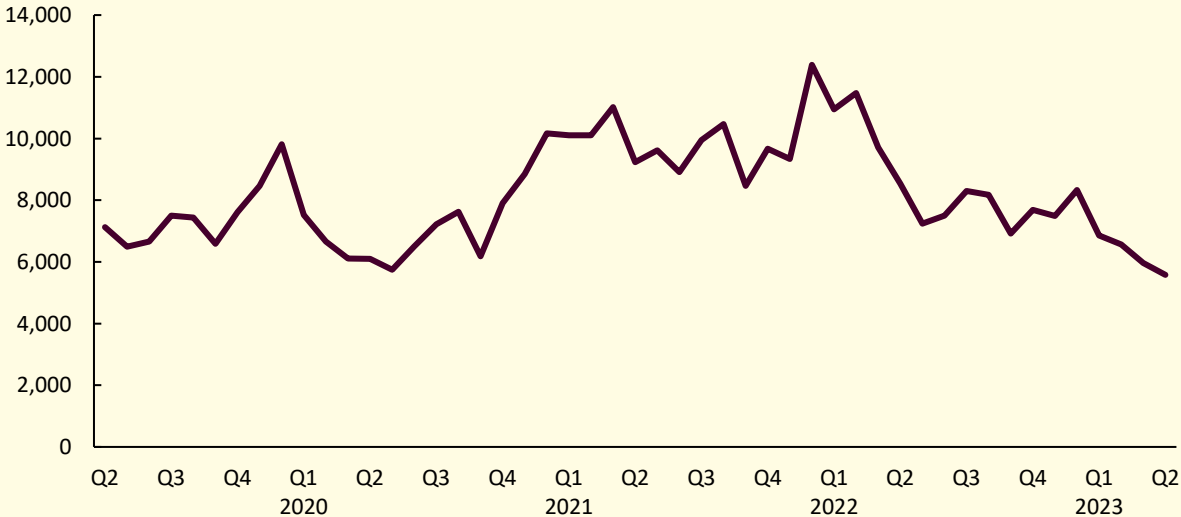
Figure 2: Quarterly employment in Oslo, Q1 2023. Source: Statistics Norway table 13164



Vacancies

The number of vacant positions continued to decline in the second quarter, largely due to an exceptionally low number in July. With 4,390 vacancies, the number is the lowest level recorded in July since 2017. Since January 2019, only one single month has had fewer job vacancies in Oslo. This, combined with a slight increase in the number of unemployed individuals, resulted in 2.2 unemployed persons per job vacancy in July. Less economic pressure due to interest rate increases contributes to alleviating the labor shortage.

Figure 3: Number of vacant positions in Oslo, three-month moving average. Source: NAV



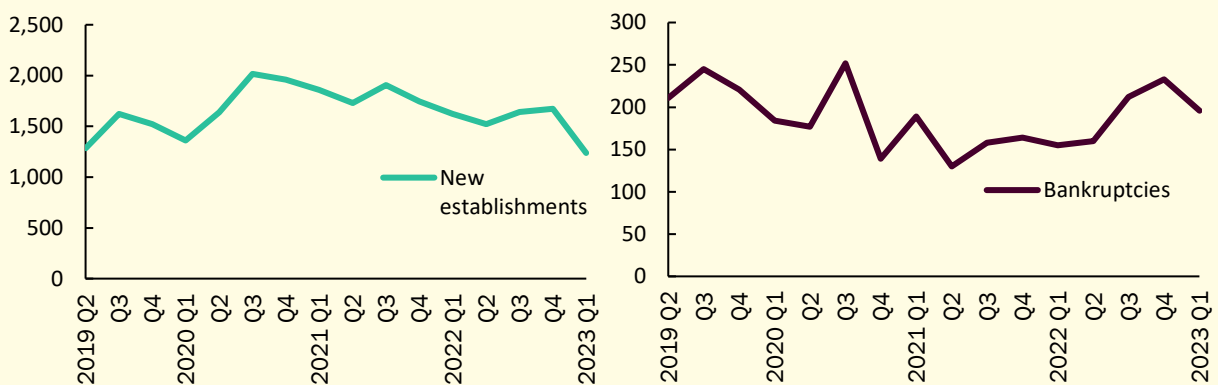
Business and industry

New establishments and bankruptcies

1,239 companies were established in Oslo in the second quarter of 2023, a 26 percent decline from the previous quarter. This is the lowest number of newly established companies since the fourth quarter of 2018. The number of established businesses often increase in line with rising unemployment and decreasing economic activity. Similarly, the labor market has continued to experience low unemployment, which usually translates into fewer established companies. Limited available regulated land and low initiation of housing construction likely contribute to the low rate in the construction sector, which is typically an industry with many newly established companies.

196 companies filed for bankruptcy in Oslo in the second quarter of 2023, representing a 16 percent decrease from the previous quarter and a slight decline from the fourth quarter of 2022. Bankruptcy rates over the past three quarters have been somewhat higher than they were in 2021. However, there are no signs of a significant increase in the number of bankruptcies, despite concerns about rising interest rates and declining economic activity leading to a surge in bankruptcies.

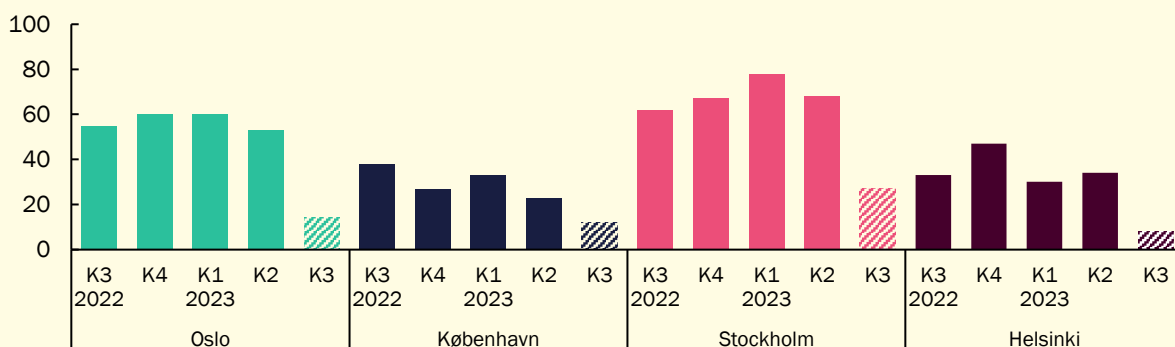
Figure 4: Number of new establishments and bankruptcies in Oslo. Source: Statistics Norway table 08076 and 10790



Investments in scale-ups

From the first to the second quarter of 2023, the number of investments and the total invested amount in Oslo, like in both Copenhagen and Stockholm, declined. The invested amount decreased from \$229 million to \$196 million. Dealroom recorded 53 investments in Oslo in the second quarter. In comparison, there were 70 investments in the corresponding quarter in 2022. The investment activity seems to be on the decline in the Nordic region as a whole, with a reduced number of investments in the second quarter and lower total investments. Additionally, activity has been low in the third quarter so far. This could be a consequence of rising interest rates, making scaleups with expectations of higher future revenue less attractive for investment.

Figure 5: Number of investments in scale-ups in the Nordic capital regions. Data are from 25.05.2023, Q2 2023 can thus not be directly compared with Q1. Source: Dealroom.co

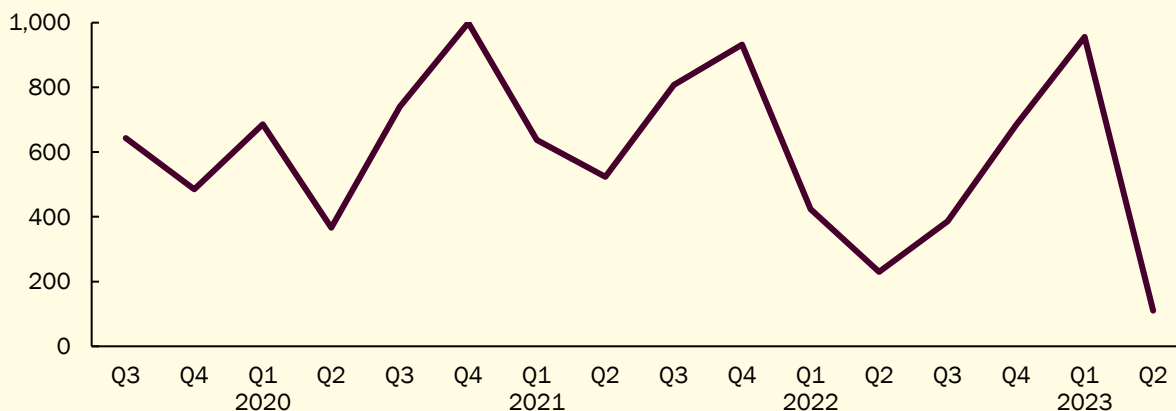


Attractiveness

Houses under construction

In the second quarter of 2023, only 110 housing units were initiated in Oslo, a 52 percent decrease compared to the same period in 2022. As can be seen from the figure, the second quarter is typically a period with few initiations, but the level was at a record low in 2023. This year, April and May have had more public holidays than in a typical year, which may have contributed to a somewhat reduced initiation rate. It's not just in Oslo that initiations have declined. At the national level, the first half of 2023 have seen the lowest sales and initiation of new housing units according to Boligprodusentene.

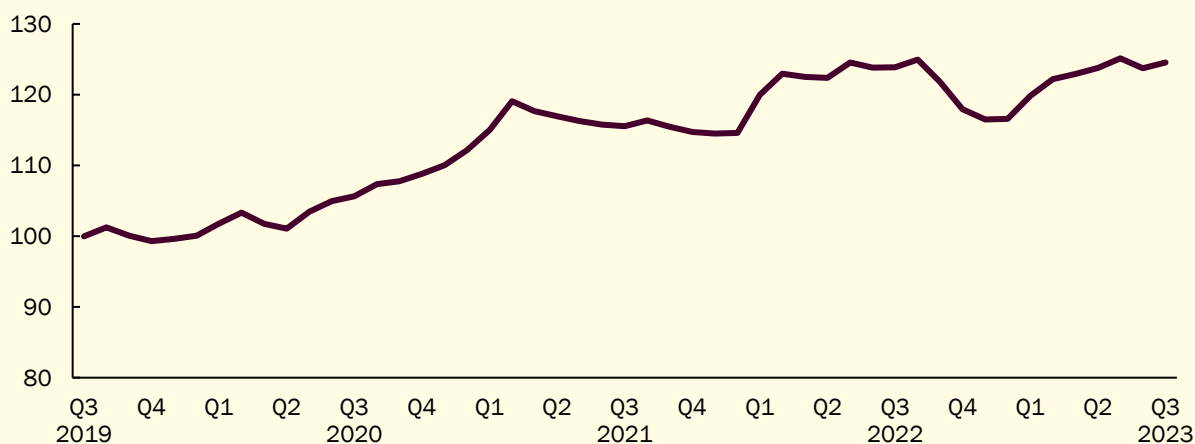
Figure 7: Number of new home construction starts in Oslo. Source: Statistics Norway



Development in house prices

"Housing prices in Oslo increased by 0.6 percent from April to July, and are now at the same level as the previous peak in August 2022. Housing prices have proven to be more resilient in the face of rising interest rates than many had expected, especially in Oslo's case. One reason for this may be the lack of initiation of new housing projects, resulting in a limited supply of completed homes. Expectations of further interest rate hikes in the fall of 2023 will continue to exert downwards pressure on housing prices in the next six months

Figure 6: House price development in Oslo. Indexed (April 2019 = 100). Source: Eiendom Norge, Eiendomsverdi AS and Finn.no. Adapted by Krogsveen.

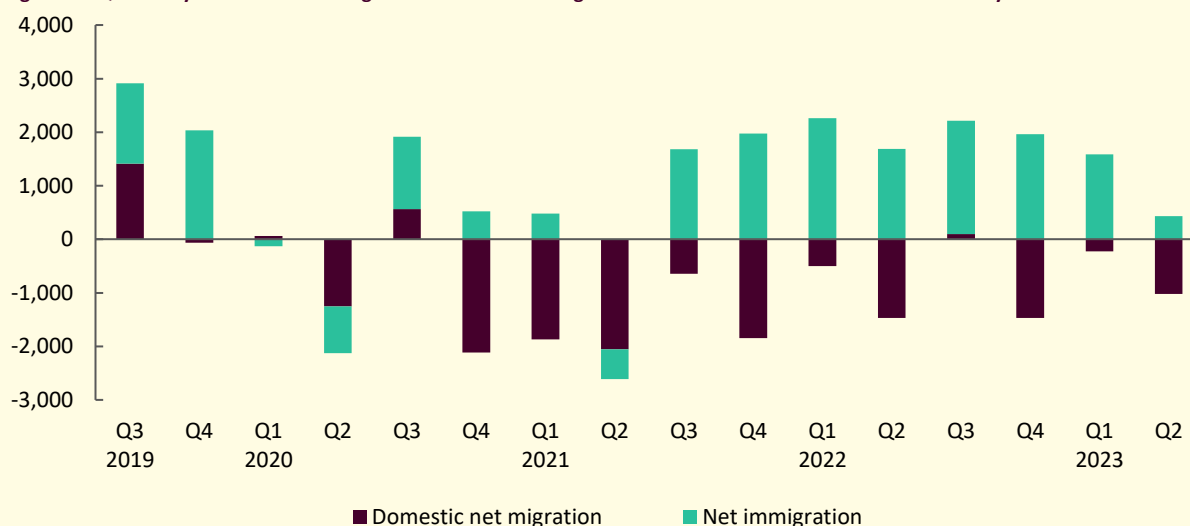


Population trends

The population growth in Oslo was negative in the second quarter of 2023, with a decrease of nearly 600 people. This was due to a negative domestic net migration of 1000 people. Net immigration remained positive but only by a little over 400 people. This is the first quarter with negative population growth in Oslo since the second quarter of 2021 when the city was affected by the pandemic.

Historically, the second quarter tends to have weaker population growth, while the third quarter often involves net domestic immigration with the influx of students. The reason for this trend is uncertain but may be due to high housing prices and rising living costs. With a weak Norwegian krone, Norwegian salaries are not as attractive to foreign migrants, and at the same time, Norwegians themselves are leaving the city.

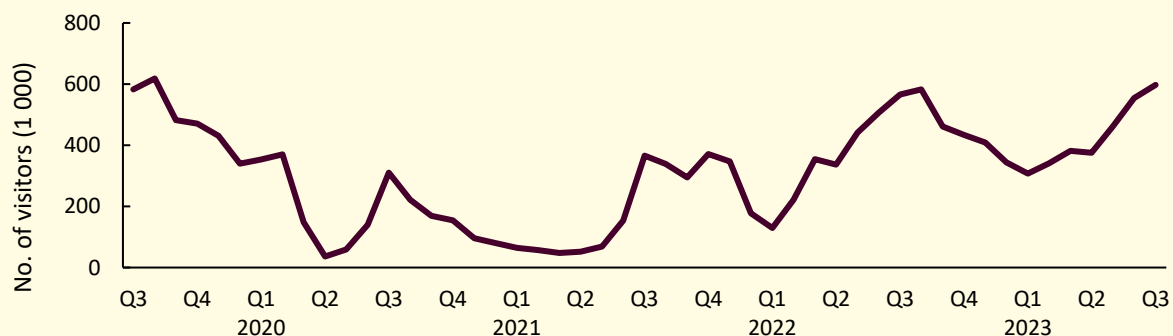
Figure 8: Quarterly domestic net migration and net immigration to Oslo.⁴ Source: Statistics Norway table 01222



Visitors

In July 2023, the number of overnight stays in Oslo reached 596,000, the highest level since August 2019. The weak Norwegian krone makes Norway and Oslo an attractive destination. This is reflected in increased employment in the accommodation and food service industry in Oslo.

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



⁴ 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.



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Oslo Business Region

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