



Business and industry in Norway - The growth of industrial activity in Norway

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Raw materials, such as fish, wood and iron ore, have been utilised in Norway for several centuries. In the early 20th century, hydropower was an important basis for starting Norway's extensive, energy-intensive manufacturing industry. Foreign capital was crucial to the development of a lot of the capital-intensive heavy industry in Norway. More recently, the oil and gas industry has played a key role in the Norwegian economy.

Over the past few decades, service companies have become increasingly important to both employment and overall value creation in Norway. This trend is to be found in all developed economies and is related to the fact that higher income levels in society lead to an increased demand for services. This trend is also exacerbated by the fact that there is a growing tendency for companies to outsource services that previously formed an integral part of their operations.

From **1850 until the turn of the century**, Norway experienced a period of considerable economic growth. The strong expansion of the British economy laid the foundation for both a burgeoning shipping industry in Norway and Norwegian exports of fish and wood. In return, Norway imported finished goods and grain.

Around the turn of the century, the Norwegian pulp and paper industry gained a strong international market position and was, until 1950, Norway's largest export-oriented industrial sector. Many new companies arose in the textile and clothing industry, iron-foundry, brick and brewery industries. These companies were mainly located around the Oslo fjord and manufactured goods aimed at the Norwegian market.

In 1905, Norsk Hydro started to manufacture nitrogen fertiliser using hydropower-based energy. The metals and chemicals industries gradually developed into the largest export sectors next to the pulp and paper industry. The fact that they had to be located near to a waterfall meant that these industries were typical regional industries, of great significance to their local communities. The need to manufacture equipment for the power stations gave rise to the development of a new mechanical engineering industry.

Although the depression in **the 1930s** also affected Norway, the Norwegian economy started to expand again after a few years in spite of the international economic slump. The energy-intensive export industries and shipping did well in the years leading up to the Second World War, but most of the expansion came in the manufacture of finished goods for the Norwegian market.

Naturally, the war years led to a slump for the export industries, but roads, railways, power stations and industrial facilities were built and formed the basis for later expansion.

From 1950 until 1970, Norway had a high rate of productivity growth and low unemployment and inflation rates. The industrial expansion meant that many people abandoned farming as a way of life and moved away from rural areas.