

Centre for Asset Pricing Research
BI Norwegian Business School

Economic expectations – Students' perspective

BRUU, NORA

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Summary

The report is based on a survey that was answered by finance students from BI Norwegian Business School.

The purpose of the report is to gain insight into students' thoughts on our current economic situation, as well as their economic expectations for the future. The purpose is also to review the students' experience with and thoughts about the effects of the pandemic.

The results from the survey show that many of the students have moderate positive expectations for the future. The majority expect our country's economic situation to be somewhat better off at this time next year, including a decrease in unemployment and an increase in inflation.

The majority also state that they are invested in the stock market and do not expect a stock market crash in 2021. During the pandemic, their investment patterns have mostly remained the same or increased in scope.

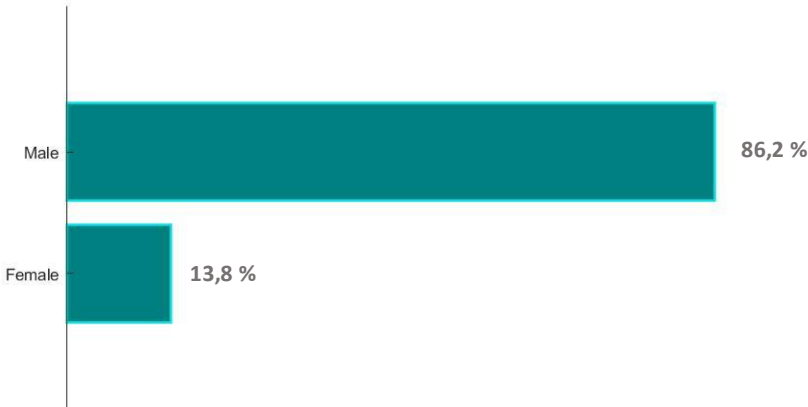
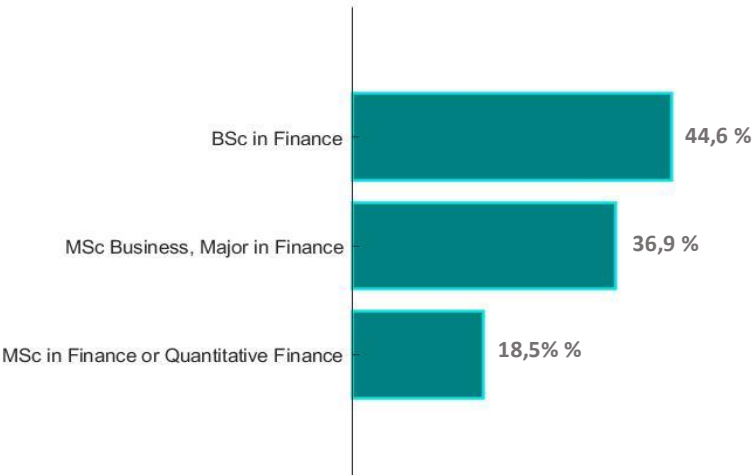
The majority of the students have a positive outlook on the job market, but do consider the chances of finding a relevant job to be somewhat decreased due to the pandemic.

A small majority of the students report changed consumption patterns. Most report spending somewhat less money, as well as spending money on different goods than before the pandemic.

Data section

The report is based on a survey that was conducted in December 2020 – January 2021. 65 students from BI Norwegian Business School completed the survey anonymously. The recipients consist of students in the first year of the BSc of Finance, MSc in Finance, MSc in Quantitative Finance and MSc in Business w/ major in Finance.

The recipients have the following distributions between fields of study and gender.



1. Economic expectations

Gross domestic product for Mainland Norway decreased 2,5 percent during 2020, but Statistics Norway project it to increase 3,3 percent during 2021.¹²

Most of the students also seem to have moderate positive expectations for the future. A vast majority expect the economy to be somewhat better off by 2022.

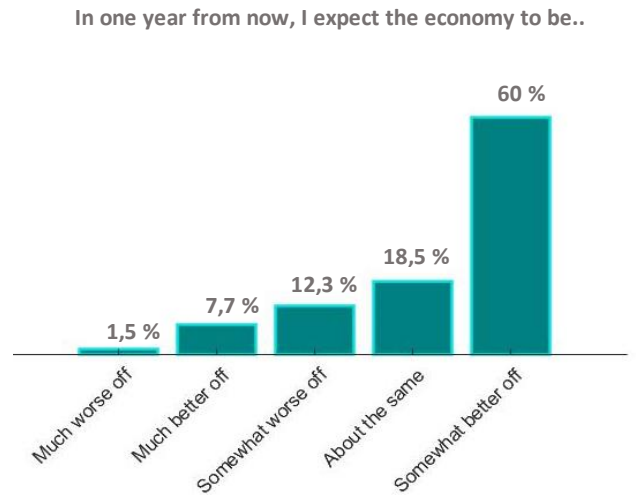


Figure 1.1.: In a year from now, do you expect our economic situation to be better or worse off?

Unemployment

Norway's unemployment rate was 4,6 percent in 2020, an increase of 0,9 percent compared to 2019.³ This development was largely driven by redundancy following infection control measures.⁴

The survey asks how the students expect the unemployment rate to evolve during 2021. The results are illustrated in figure 1.2.

Forecasts from Statistics Norway predict an unemployment rate of 4,5 percent in 2021 – a decrease of 0,1 percent compared to 2020.⁵ This indicates slower progress than anticipated by many of the survey recipients. Although there is much uncertainty associated with this forecast, NAV predicts a positive yet slow progress towards pre-pandemic unemployment levels.⁶

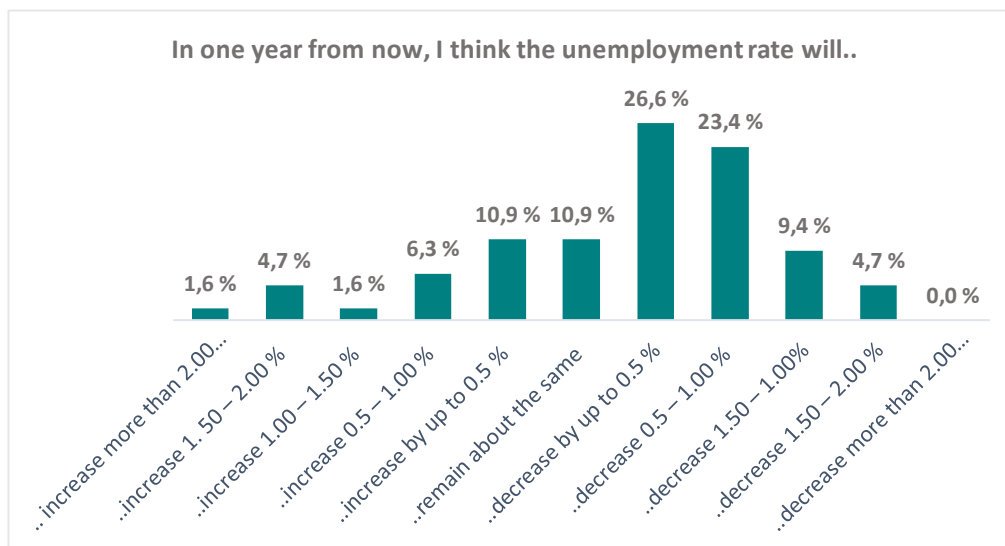


Figure 1.2: How do you expect the unemployment rate to evolve over the next 12 months?

¹ Statistics Norway, 2021

² Statistics Norway, 2021

³ Statistics Norway, 2021

⁴ NAV, 2021, s. 2

⁵ Statistics Norway, 2021

⁶ NAV, 2020

Price level

When asking about the students' experience of the price level, over half feel that prices have somewhat increased during 2020. Statistics Norway calculate the actual change in price level from January 2020 – January 2021 to 2,5 percent.⁷

In 2021, forecasts from Statistics Norway predict an inflation rate of 2,7 percent.⁸

79 % of the students expect prices to keep somewhat increasing during 2021.

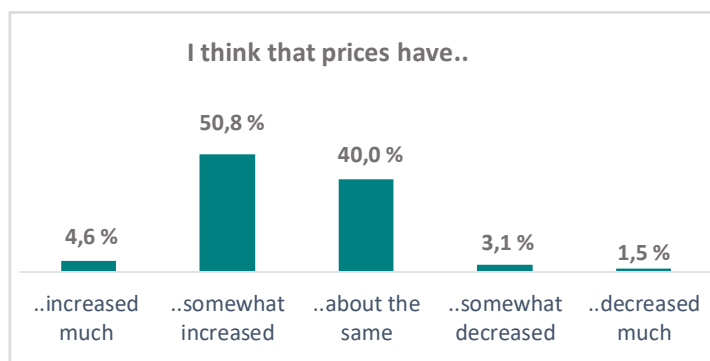


Figure 1.3: Compared to the general price level one year ago, do you feel as if prices have increased?

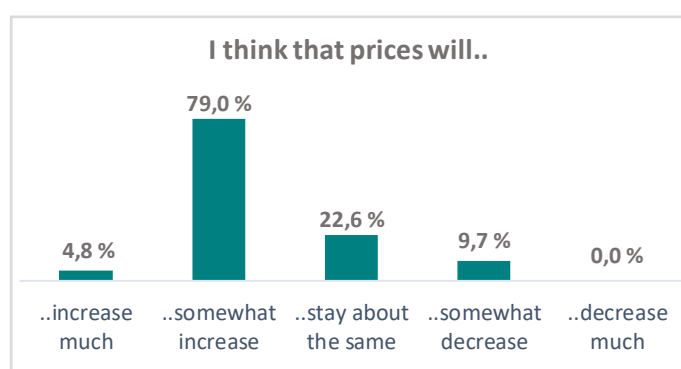


Figure 1.4: How do you expect prices to evolve over the next 12 months?

Key Interest rate

The key interest rate in Norway is currently at all-time low 0,00 percent. On the question of how the students expect the key interest rate to evolve over the next 12 months, the majority expect it to remain the same or increase up to 1,00 percent. Only a small fraction of the students expect it to go negative.

Forecasts from Statistics Norway's economic trends report expect the key interest rate to increase to 0,25 percent during the second half of 2021.⁹ It is then expected to gradually increase back to its old level of 1.5 percent by 2024.¹⁰

⁷ Statistics Norway, 2021

⁸ Statistics Norway, 2021

⁹ Statistics Norway, 2021

¹⁰ Statistics Norway, 2021

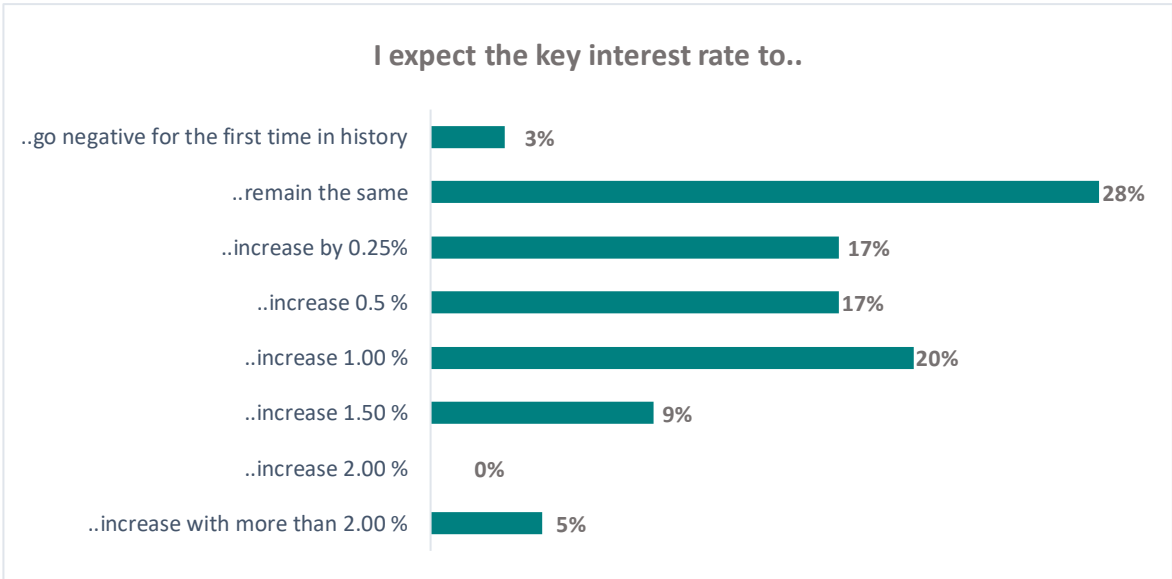


Figure 1.5: How do you expect the key interest rate to evolve over the next 12 months?

2. Investments in the stock market

89,1 percent of the students state that they are invested in the stock market, including publicly traded stocks and mutual funds.

Their approximate investments are illustrated in figure 2.1.

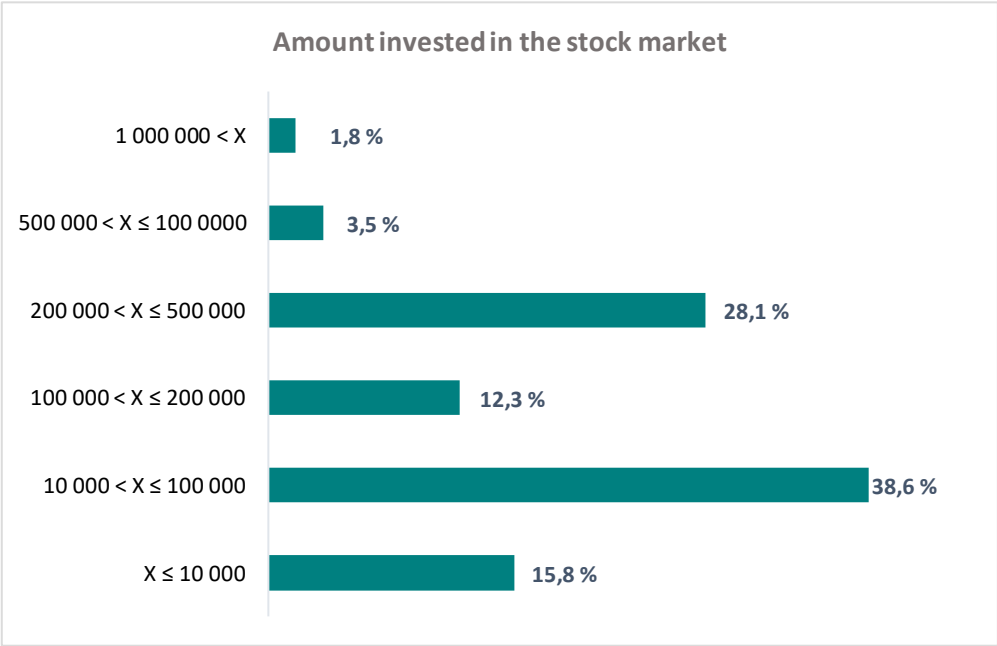


Figure 2.1: What is the approximate value of your stock market investments?

Investments during Covid-19

Since the stock market crash in 2020, caused by the outbreak of the coronavirus, we have seen the stock market rise despite subdued economic recovery. Most of the students state that they have invested either more or about the same as usual during the pandemic.

Many economists warn that the stock market no longer reflects the economic reality we face. On the question of whether the students expect a stock market crash in 2021, most of the students are not worried that this will happen in 2021.

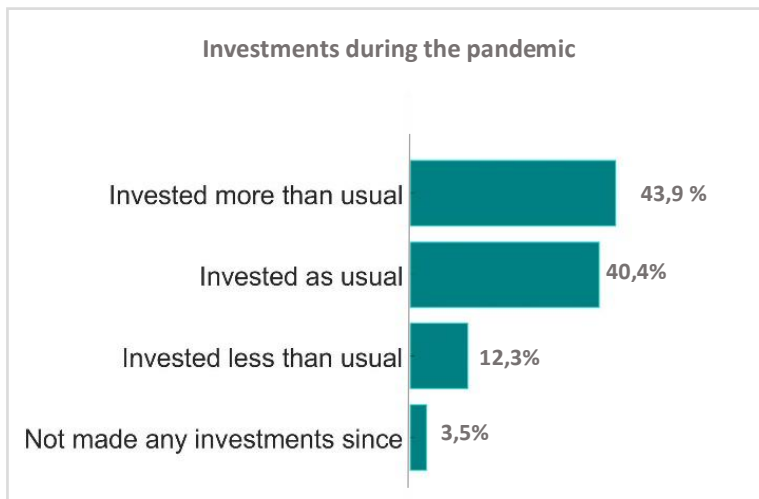


Figure 2.2: Has your investment pattern changed during the pandemic?

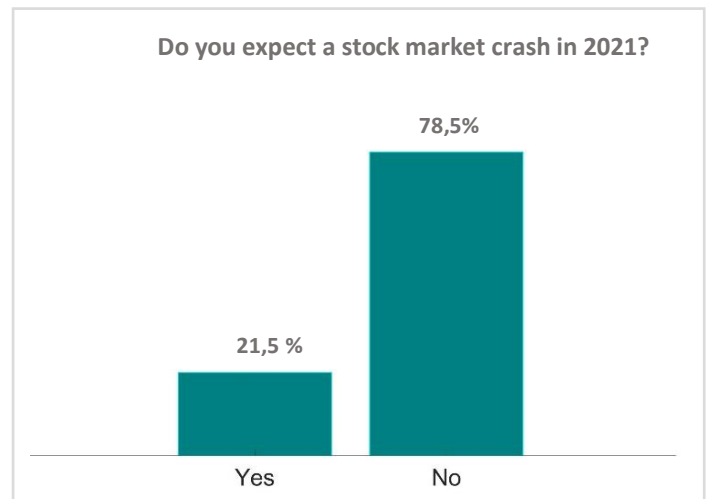


Figure 2.3: Do you expect a stock market crash in 2021?

Risk aversion

In an attempt to measure the students' level of risk aversion, the survey asks the following question:

"Imagine that you invested 20 000 NOK in a relatively cheap stock after the market hit the bottom in March 2020. This stock is now increasing.

There is high probability that the market will suddenly turn and your stock go down with it. Yet, there is also a chance that the market and your stock will keep increasing, providing higher returns on your investment.

At what rate of return would you want to sell the stock to secure your gain and limit your downside?"

The results are illustrated in figure 2.4.

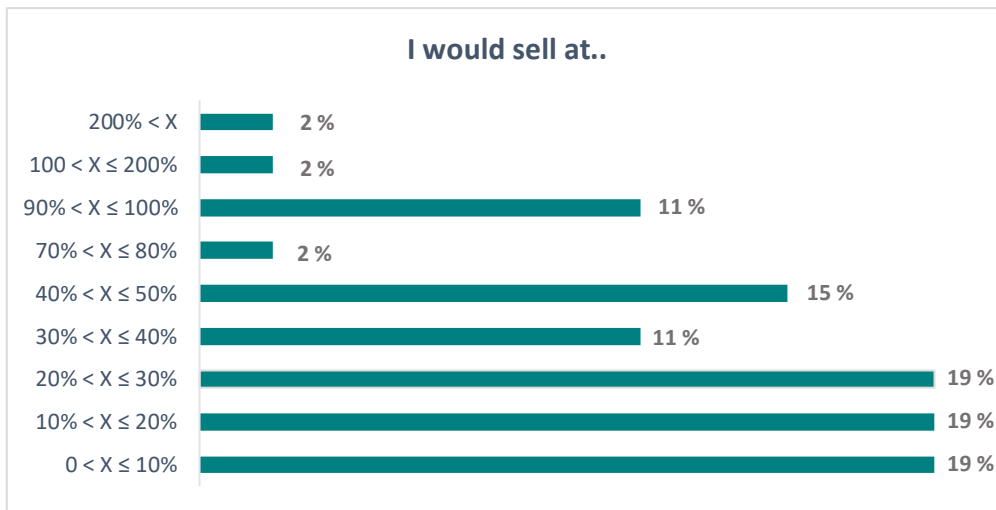


Figure 2.4: At what rate of return would you sell the stock?

An interesting note is that all the females who answered this question belong in an area ranging from 8 - 30 percent return. All answers above 30 percent belong to males. The number of female recipients to this question is too low to draw conclusions based on this, but studies show that women are generally more risk averse than men.¹¹

3. Job market

The survey asks how the students deem their chance of finding a relevant job after finishing their studies, to which the majority seem fairly positive.

Although, 60 percent believe that the probability is lower now than before the pandemic - presumably because many firms are more hesitant to hire during an economic crisis.

Many also deem their chances as relatively unchanged, which may be explained by the large number of first year bachelor students among the recipients. They will finish their studies in 3-5 years, increasing the chance of a more normalized job market at the time of graduation.

65,2 percent of those who answer that the probability is about the same as before are bachelor students, while everyone who answers that the probability is higher than before are bachelor students.

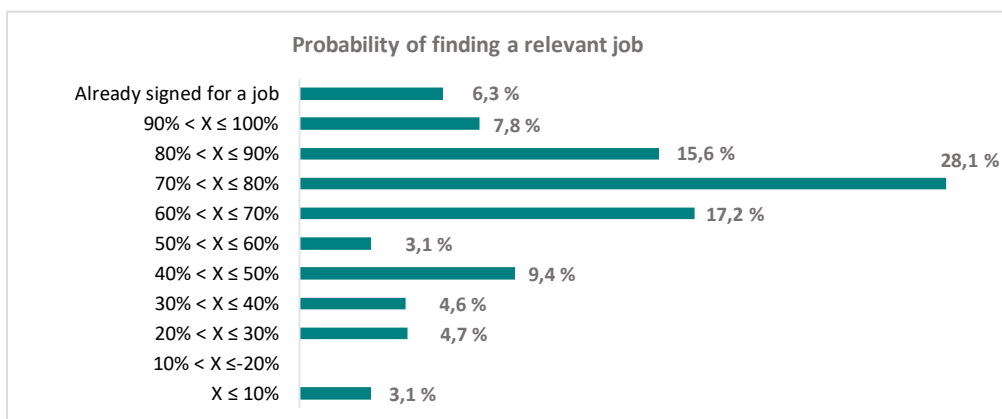


Figure 3.1: What do you think is the probability of finding a relevant job after finishing your studies?

¹¹ BlackRock, 2013

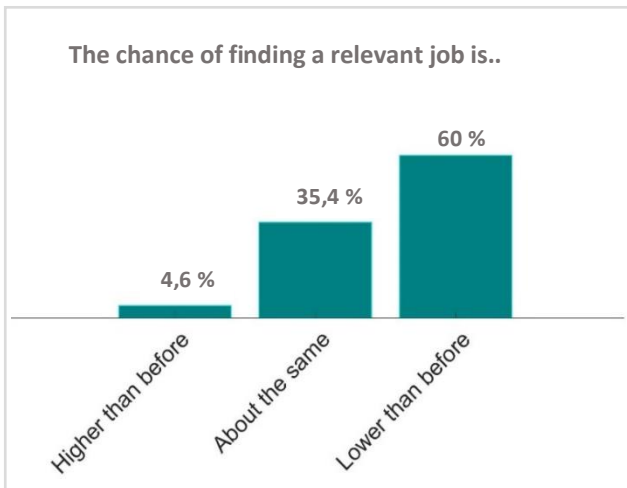


Figure 3.2: Do you think that the chances of finding a relevant job have changed because of the pandemic?

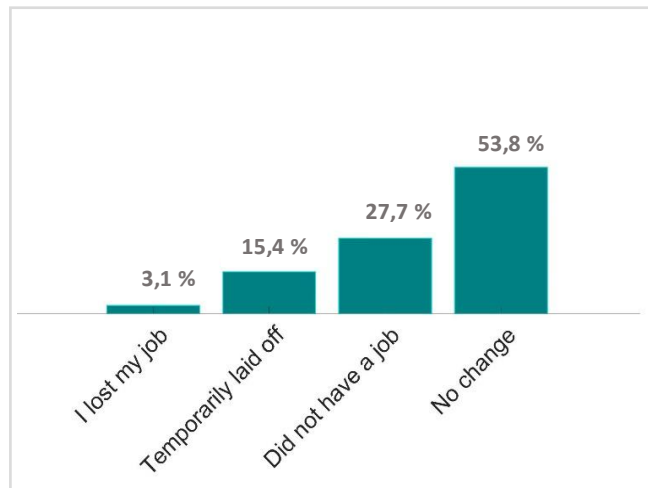


Figure 3.3: Has the pandemic affected your current work situation?

On the question of whether the pandemic has affected their current work situation, most of the students either experienced no change or did not already have a job.

4. Consumption

Norwegians' private consumption fell drastically after the outbreak of the pandemic in 2020.¹² Infection control has made most of us limit our consumption and change our consumption patterns to some extent. The consumption of services has been particularly low.¹³

54,7 percent of the students consider their consumption habits to have changed during the pandemic. Out of those who admit to changed consumption habits, most spent either much less or somewhat less money on consumption. Some actually reported spending more money on consumption.

63,6 percent of those with changed consumption habits state that they to some extent have spent money on different goods than usual during the pandemic, for example by buying less alcohol and more sports attire.

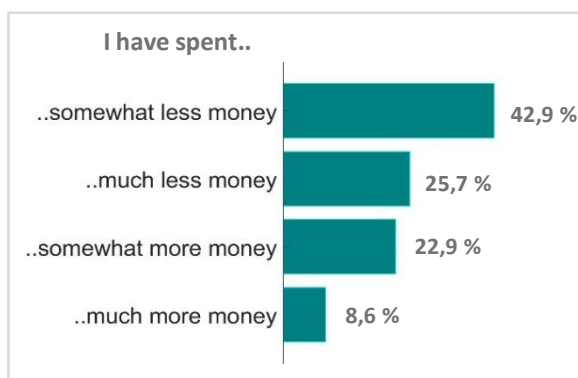


Figure 4.1: Have you spent more or less money on consumption?

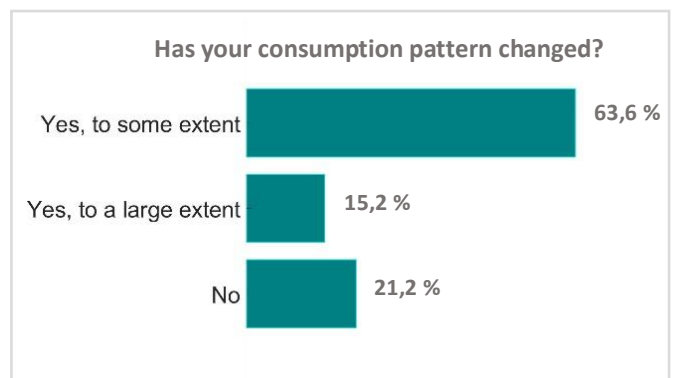


Figure 4.2: Have you spent money on different goods than usual during the pandemic?

¹² Norges Bank, 2020, p. 10

¹³ Norges Bank, 2020, p. 10

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