



OUTLOOK FOR THE NORWEGIAN ECONOMY

GOVERNOR ØYSTEIN OLSEN

Bergen, 3 November 2017

Topics

- Outlook for the global economy
- Outlook for the Norwegian economy
- The housing market
- Monetary policy



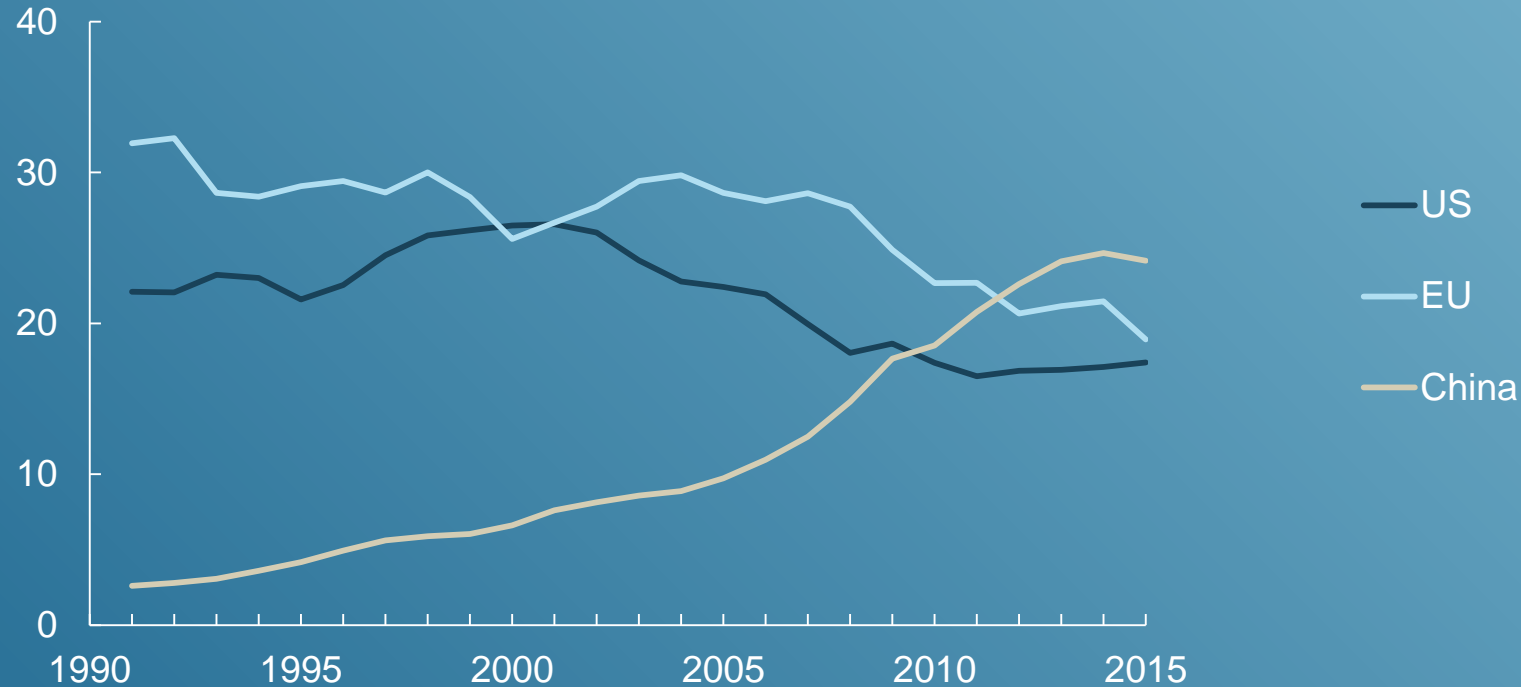
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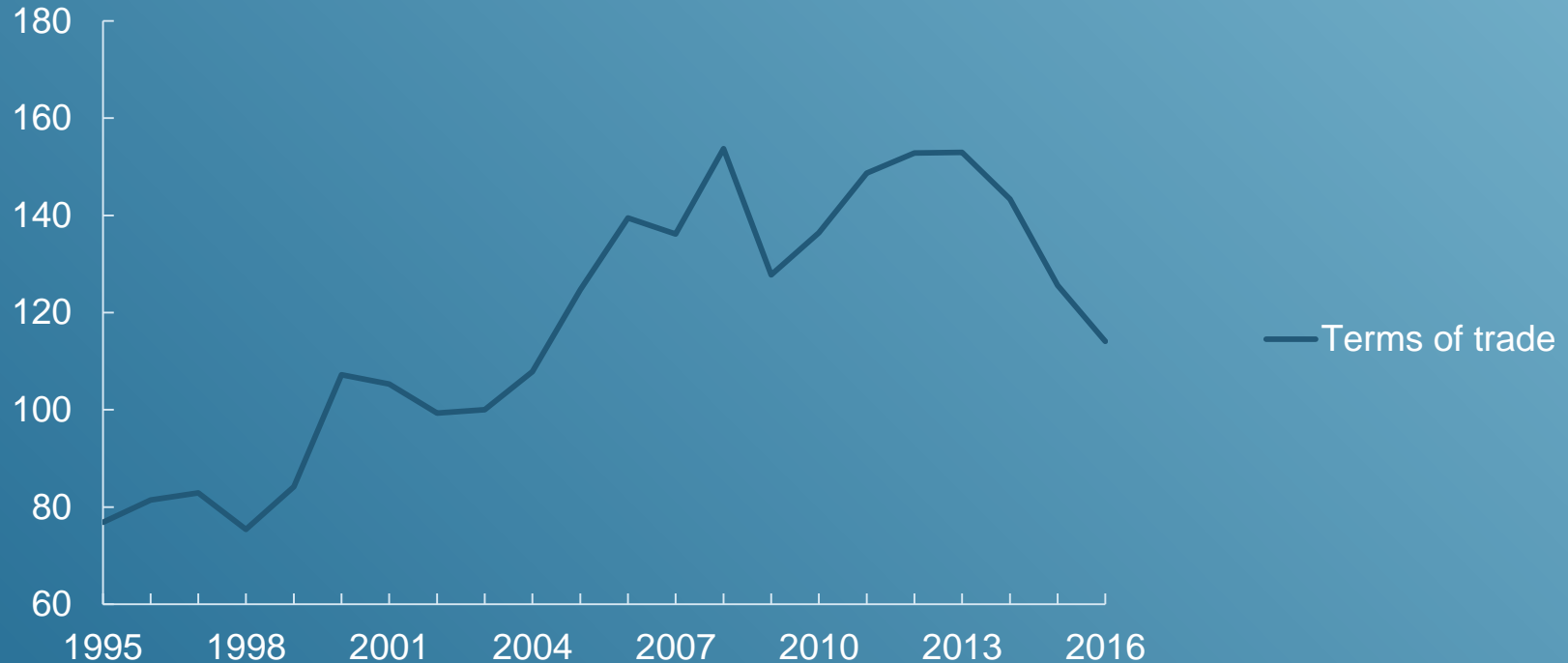
China rises to importance

Share of global manufacturing output. Percent



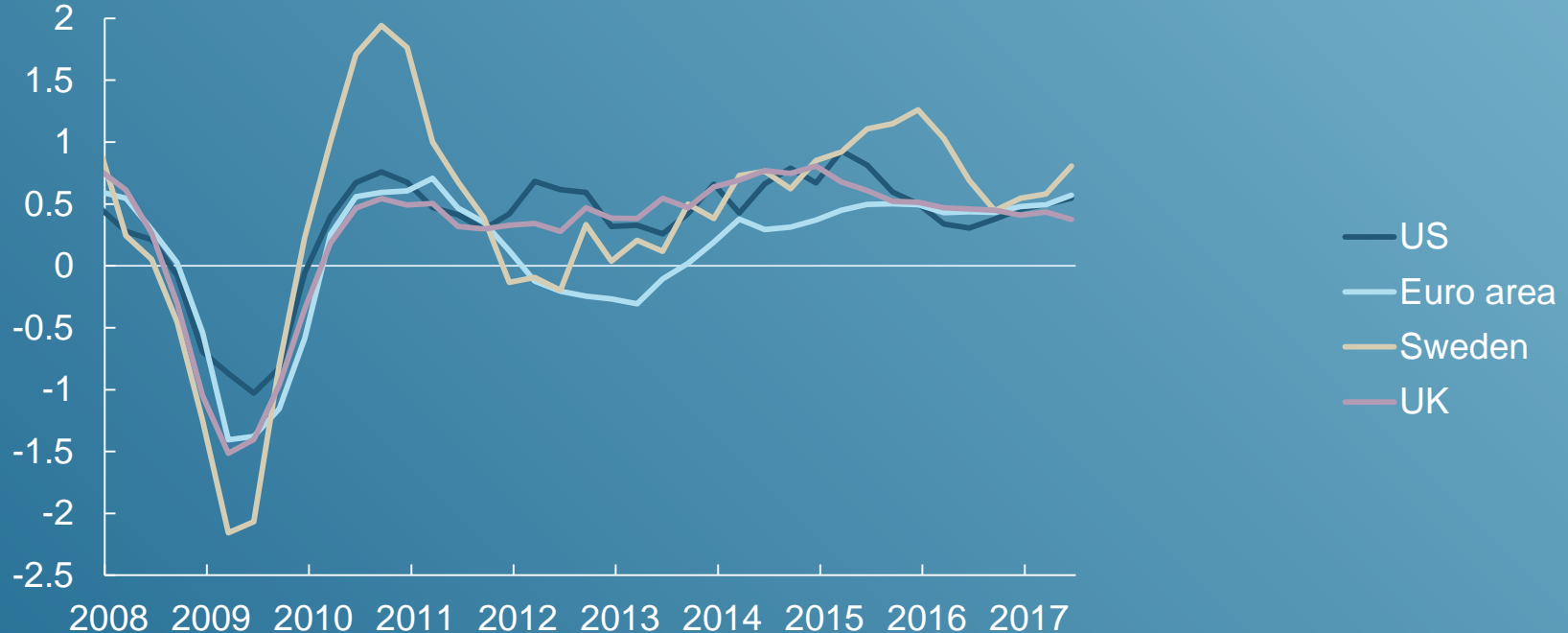
A double gain for Norway

Terms of trade. Index 2003=100



Main trading partners' economies improve

Quarterly growth.¹⁾ Percent

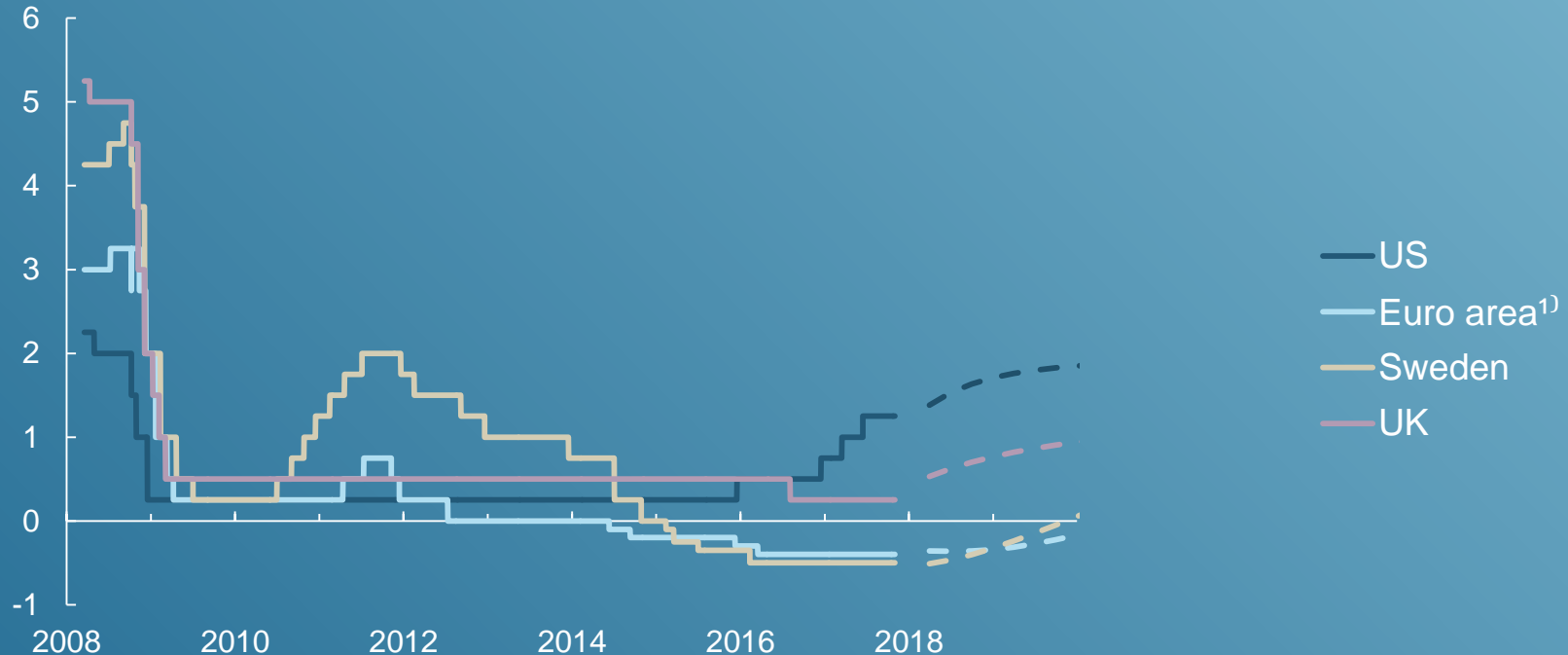


1) Three-quarter moving average.
Source: Thomson Reuters



Policy rates abroad have bottomed out

Policy rates and estimated forward rates at 1 November 2017



¹⁾ ECB's deposit rate. Eonia from 2017 Q3.

Sources: Bloomberg, Thomson Reuters and Norges Bank



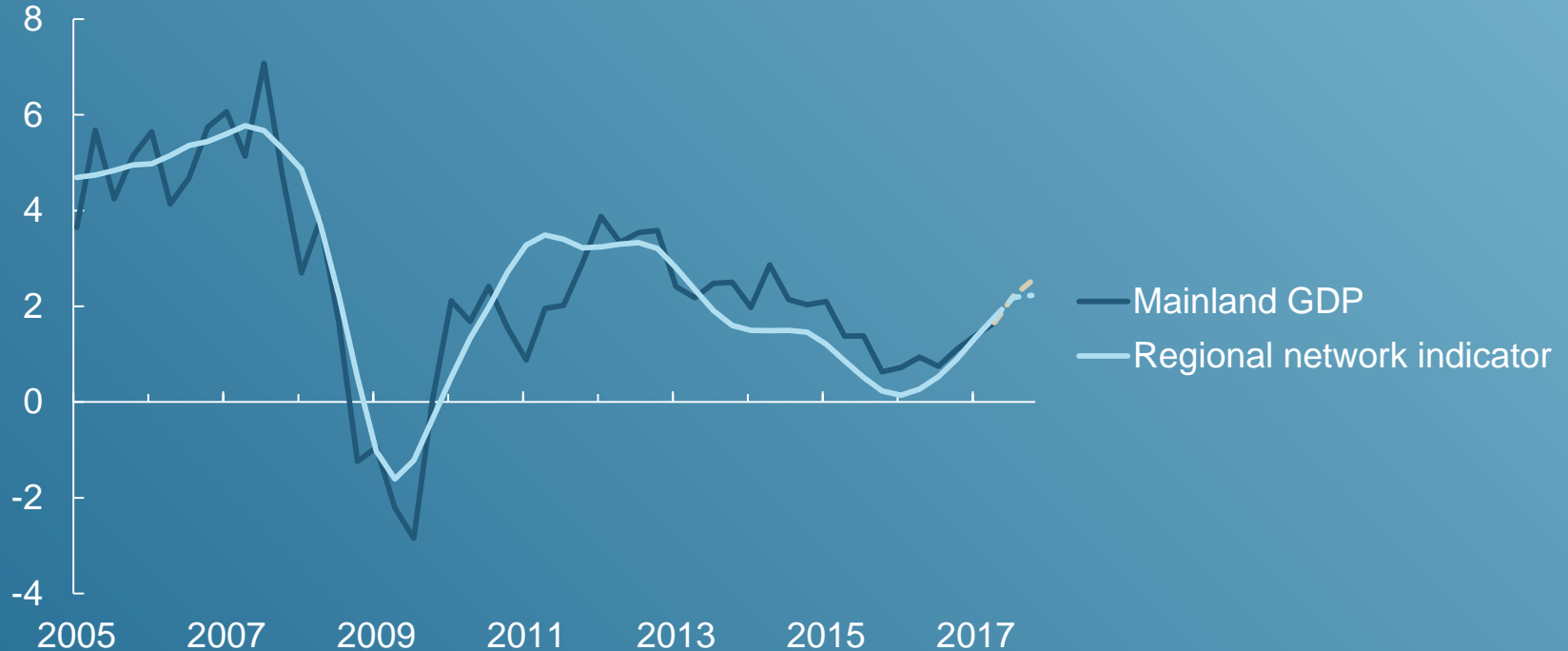
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Growth has picked up

Four-quarter percentage change¹⁾



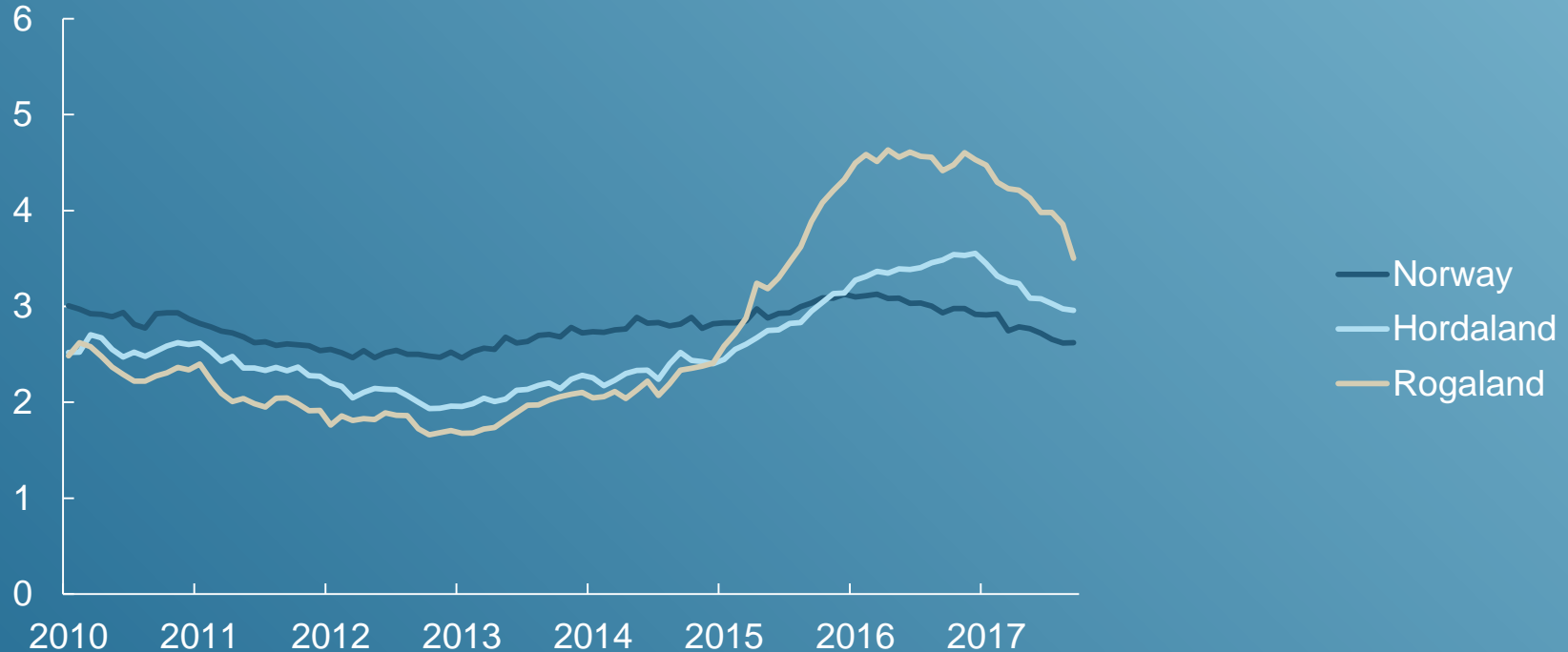
¹⁾ GDP projection for 2017 Q3 and 2017 Q4 from MPR 3/17.

Sources: Statistics Norway and Norges Bank



Unemployment has passed the peak

Registered unemployment as a percentage of the labour force. Seasonally adjusted



The krone has tracked the oil price

USD per barrel Brent Blend and import-weighted exchange rate index¹⁾

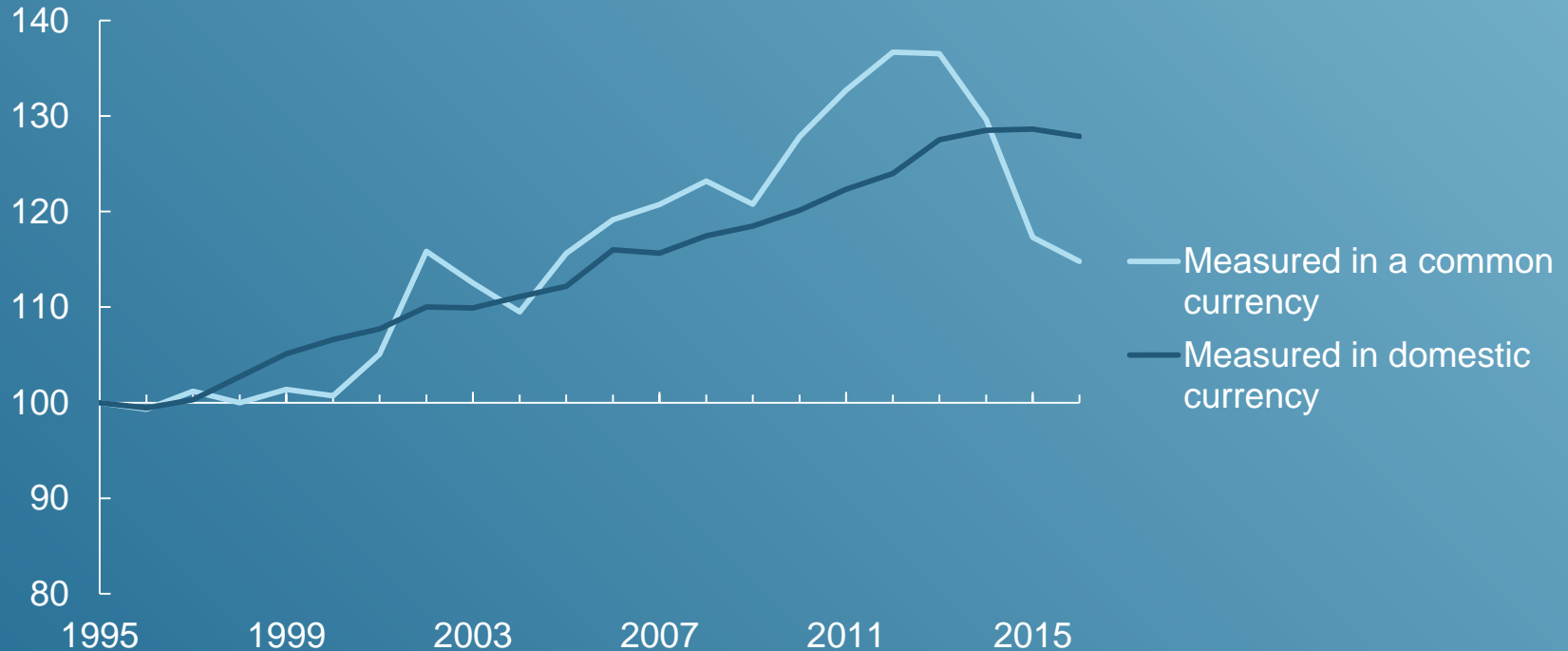


1) A positive slope denotes a stronger krone exchange rate.
Sources: Thomson Reuters and Norges Bank



Improved competitiveness

Labour costs in Norway relative to trading partners' labour costs¹⁾



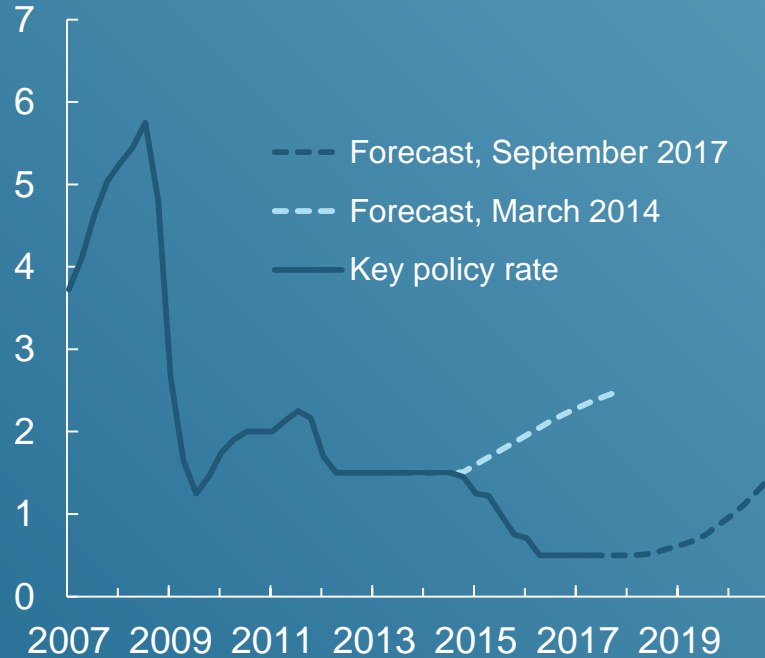
¹⁾ Hourly labour costs in manufacturing. Index 1995 = 100.

Sources: Statistics Norway, Norwegian Technical Calculation Committee for Wage Settlements (TBU) and Norges Bank



Economic policy has contributed

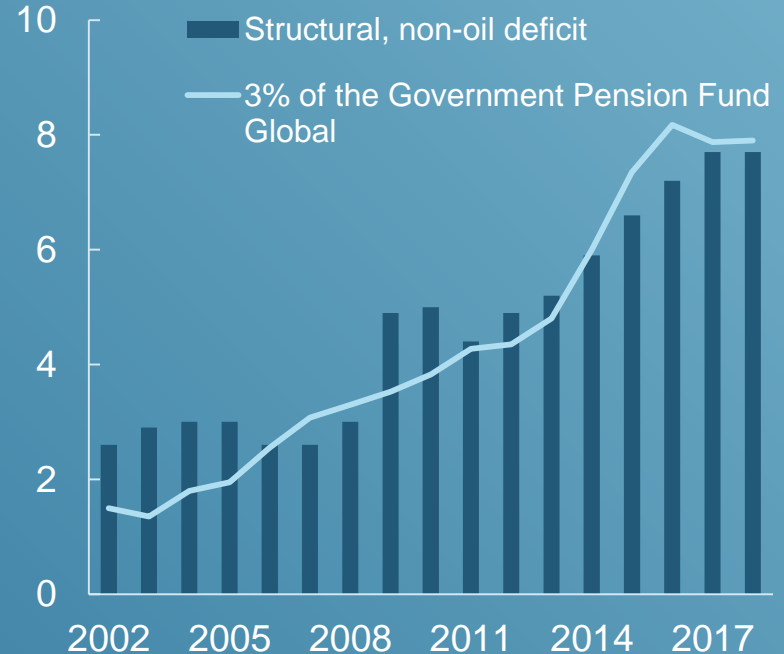
Key policy rate. Percent



Source: Norges Bank

Budget deficit.

Percent of trend mainland GDP

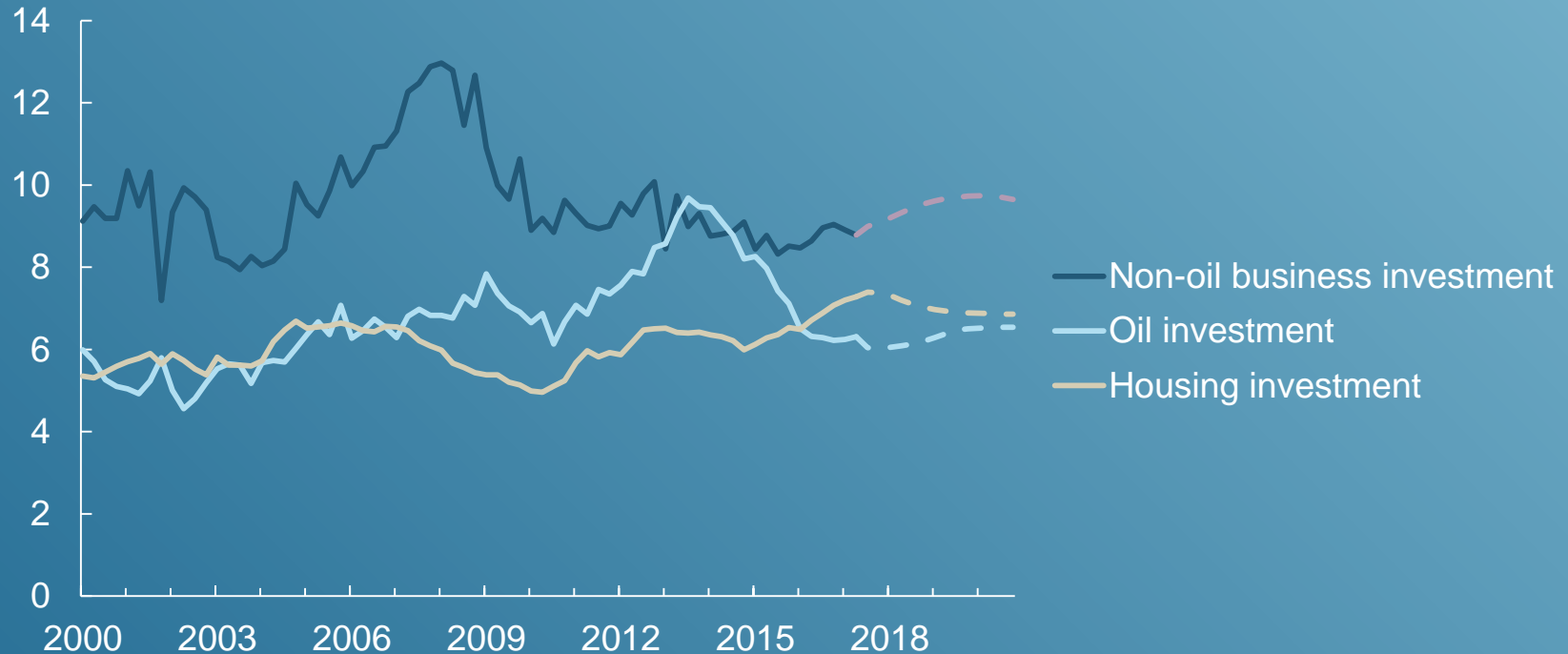


Sources: Ministry of Finance and Norges Bank



Shift in driving forces

Share of mainland GDP¹⁾



¹⁾ Projections for 2017–2020 from MPR 3/17.
Sources: Statistics Norway and Norges Bank



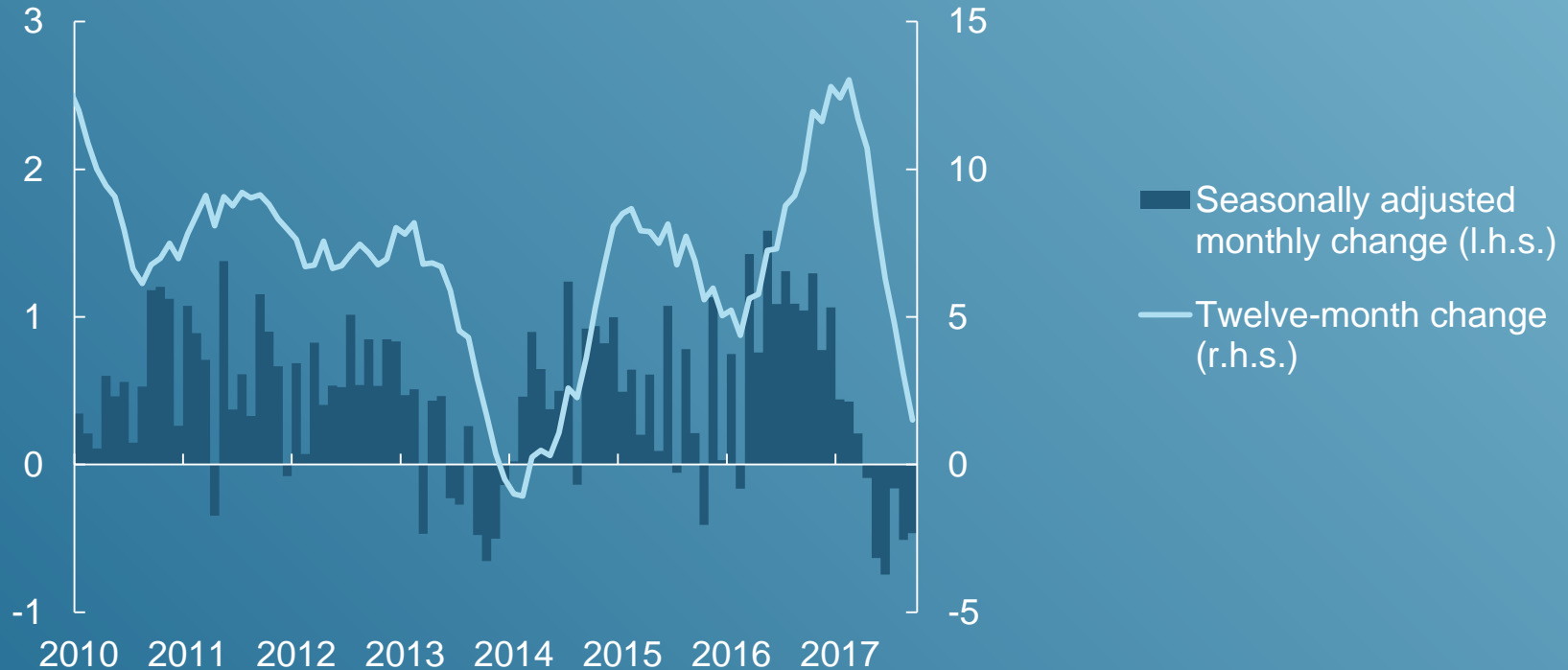
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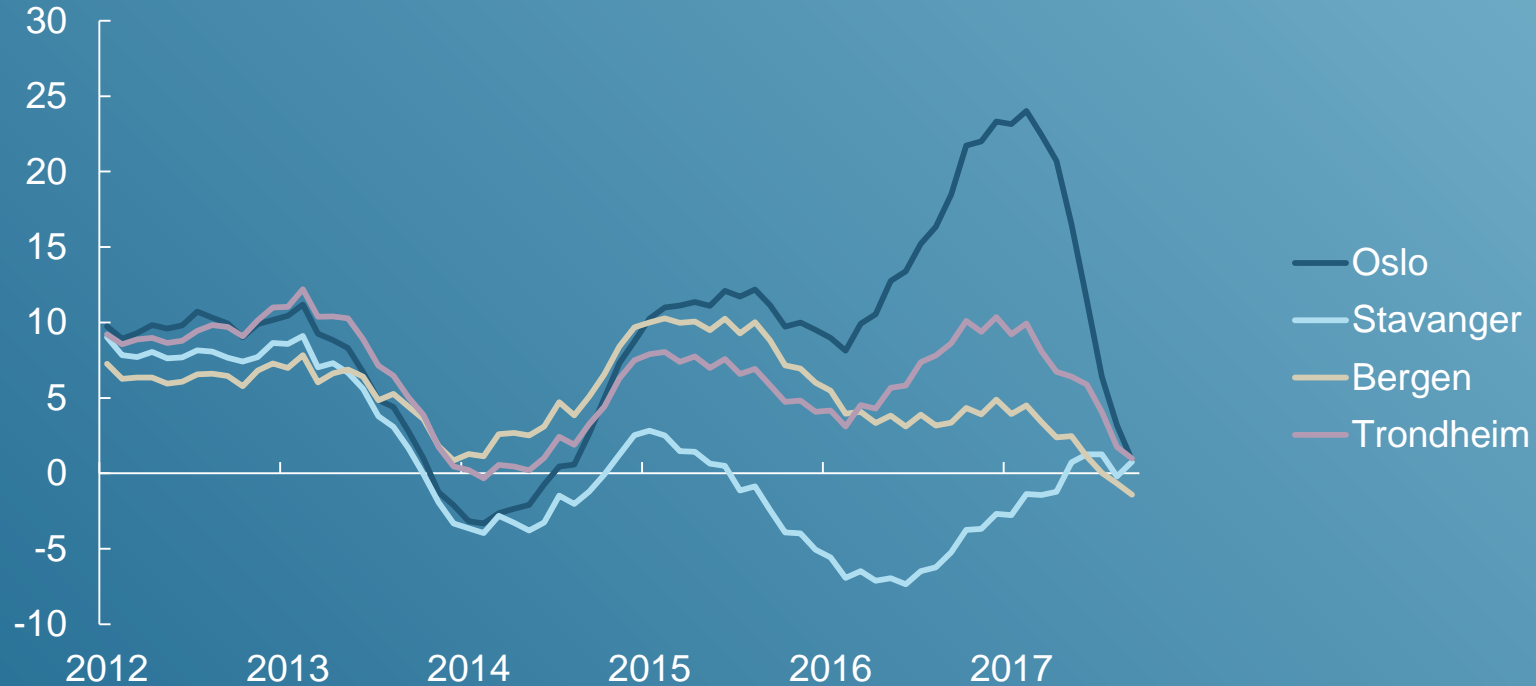
Correction in the housing market

House prices. Twelve-month percentage change



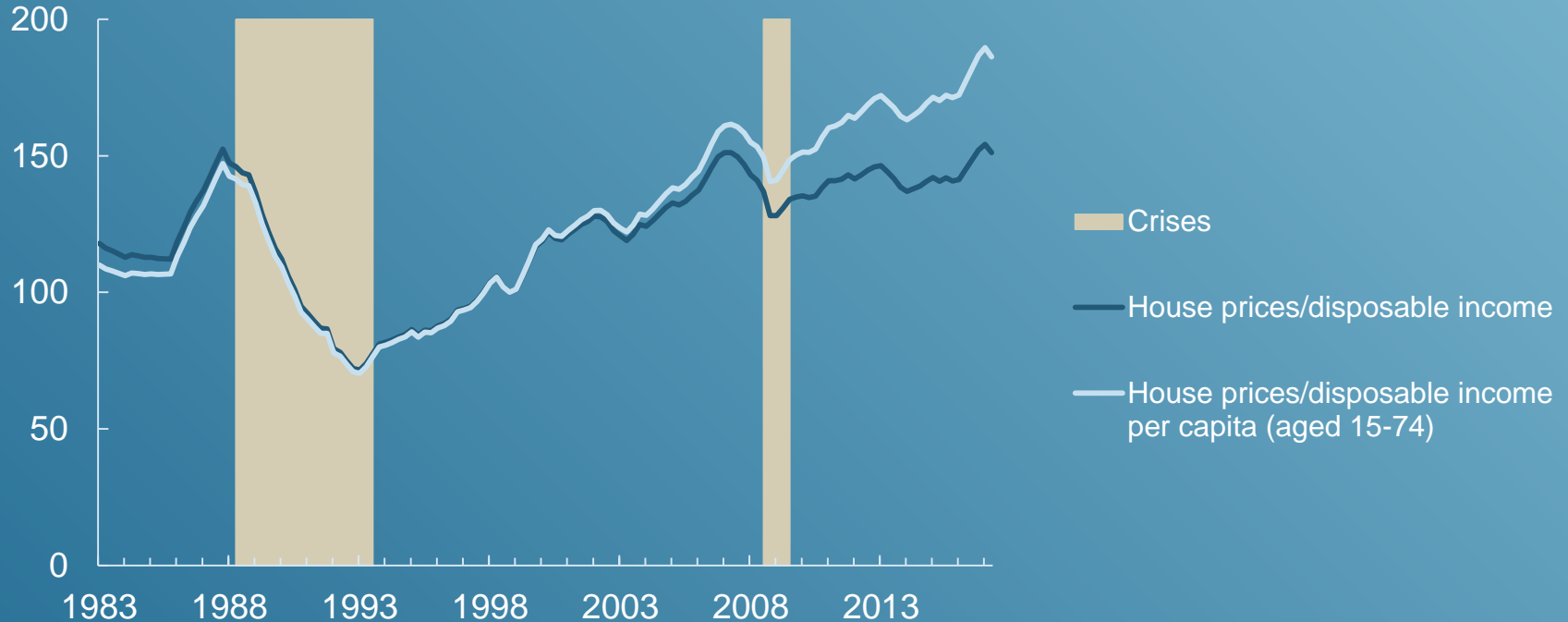
Regional differences

Twelve-month percentage change



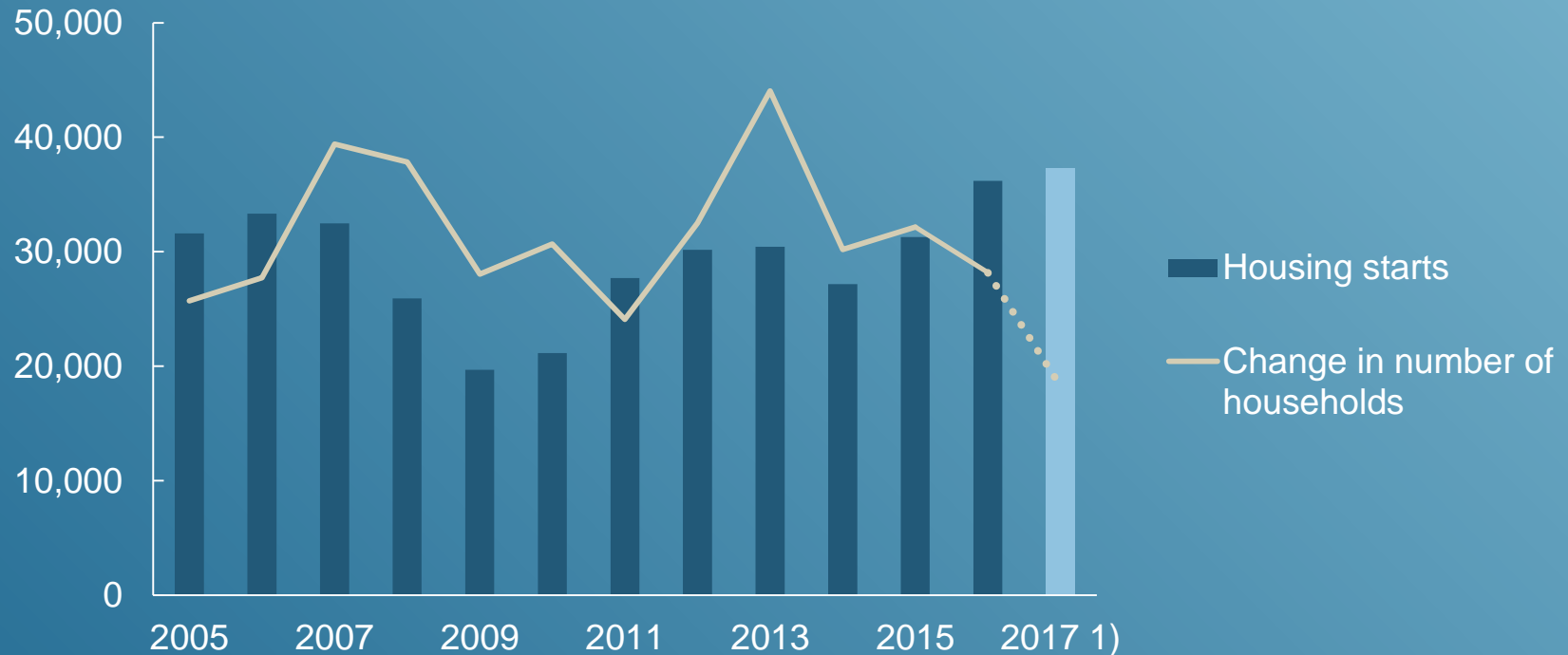
House prices are high relative to income

Index. 1998 Q4 = 100.



More new dwellings than households

Number of housing starts and change in number of households¹⁾

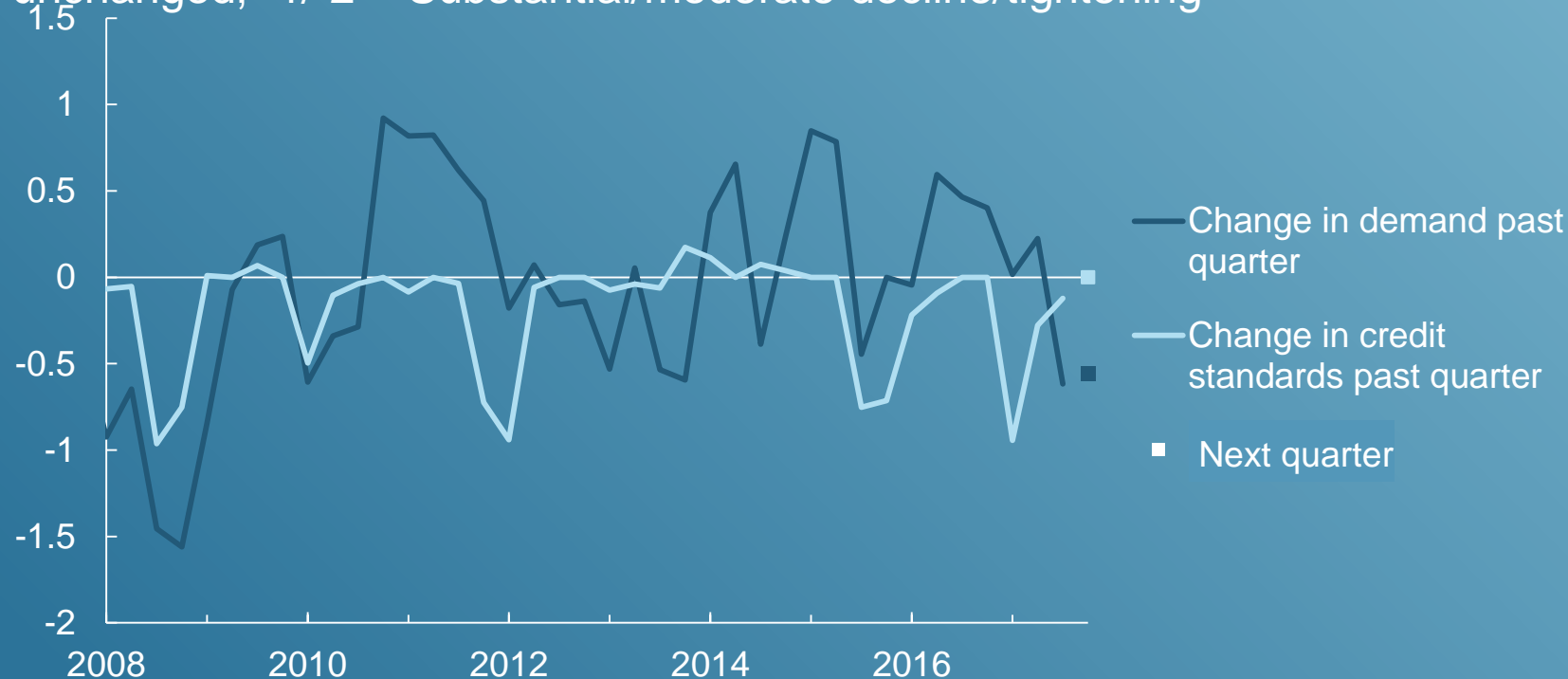


1) Projections for housing starts and change in number of households for 2017.
Sources: Statistics Norway and Norges Bank



Some tightening of credit standards

Households. 2/1 = Substantial/moderate rise/easing, 0 = Approximately unchanged, -1/-2 = Substantial/moderate decline/tightening

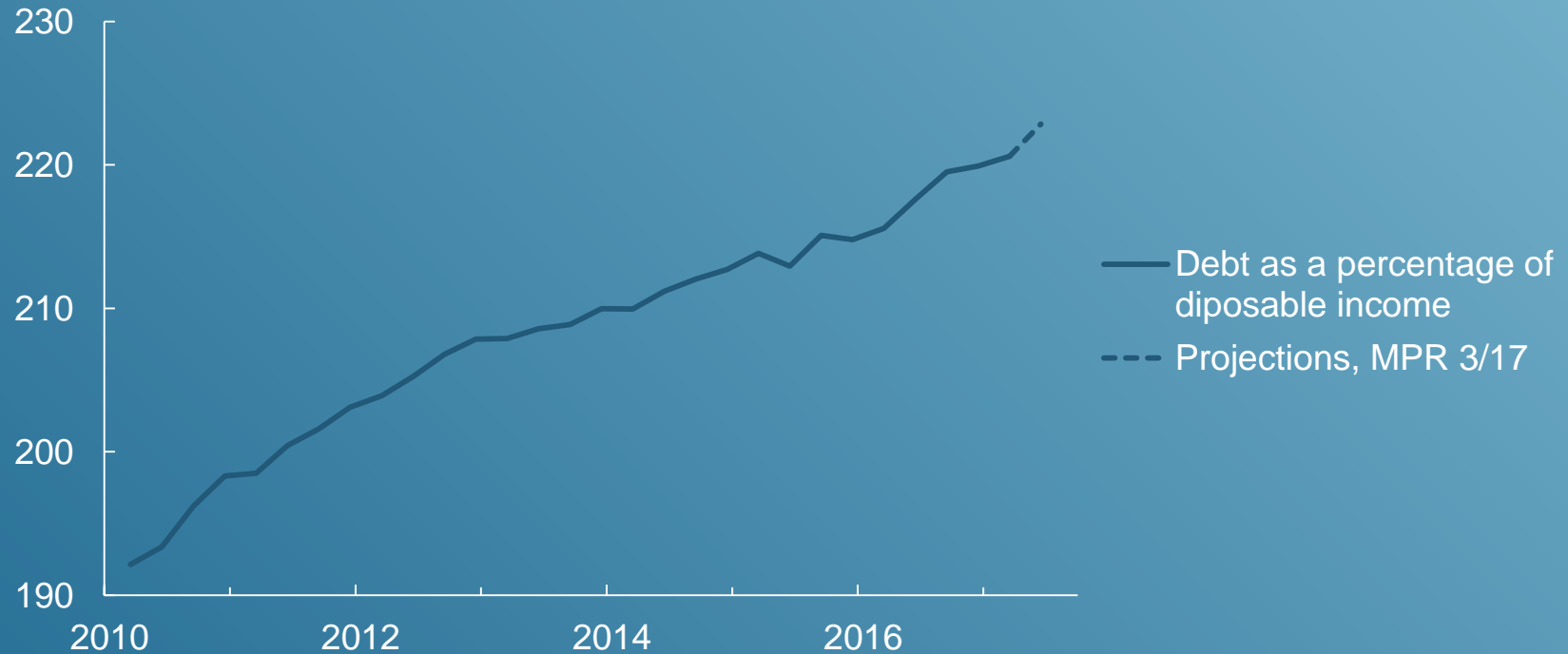


Source: Norges Bank



Indebtedness remains high

Household debt ratio

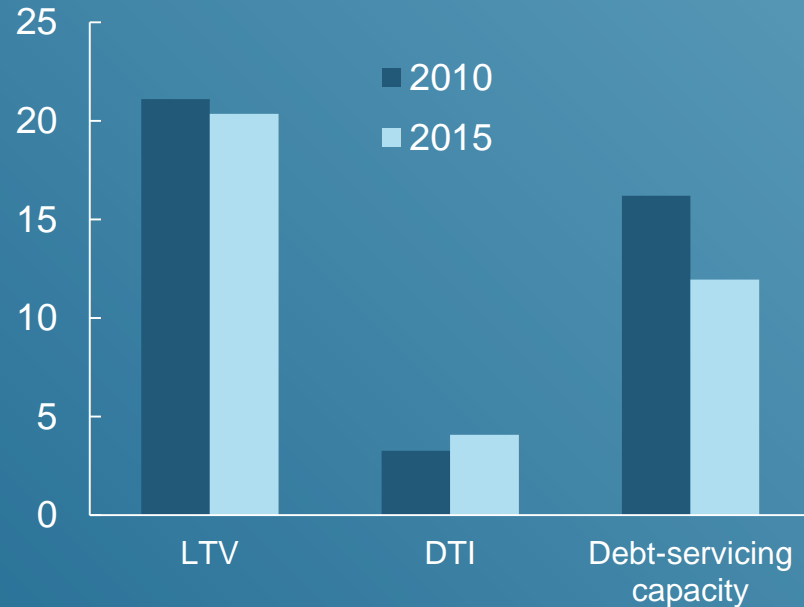


Sources: Eiendomsverdi, Finn.no, Real Estate Norway, Statistics Norway and Norges Bank



Risk of fall in household consumption

Share of households. Percent



- High LTV ratio: Net debt exceeding the market value of the dwelling
- High DTI ratio: Debt exceeding five times gross income
- Low debt-servicing capacity: Less than one month's income remaining after payment of interest, minimum principal and ordinary consumption expenditures (on an annual basis)

Sources: Norwegian Mapping Authority, SIFO, Statistics Norway and Norges Bank

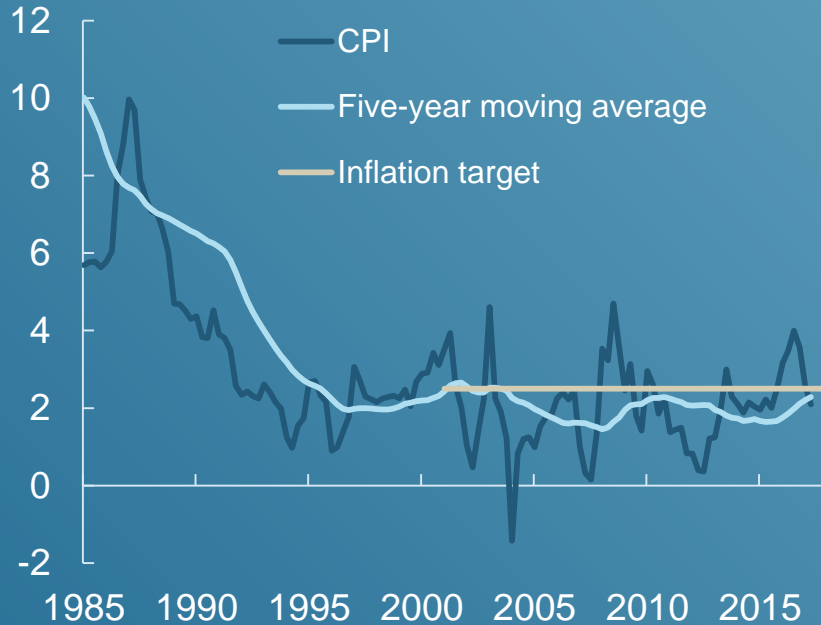


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Monetary policy in Norway

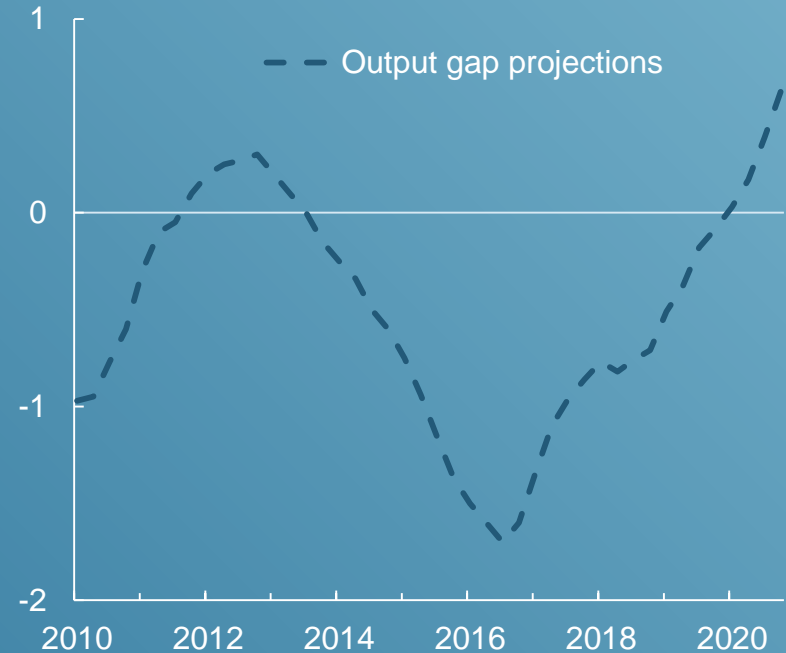
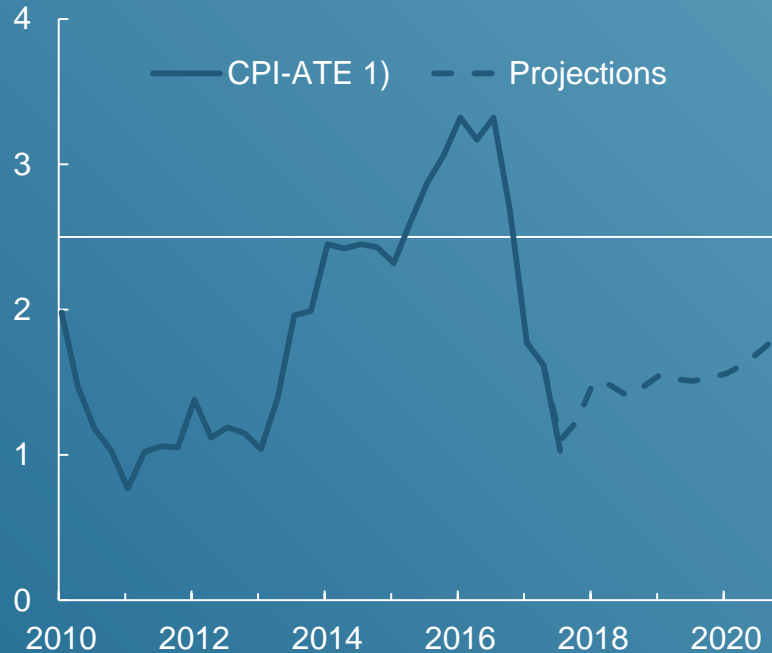


- Low and stable inflation
- Stable developments in output and employment
- Monetary policy must be robust



Monetary policy

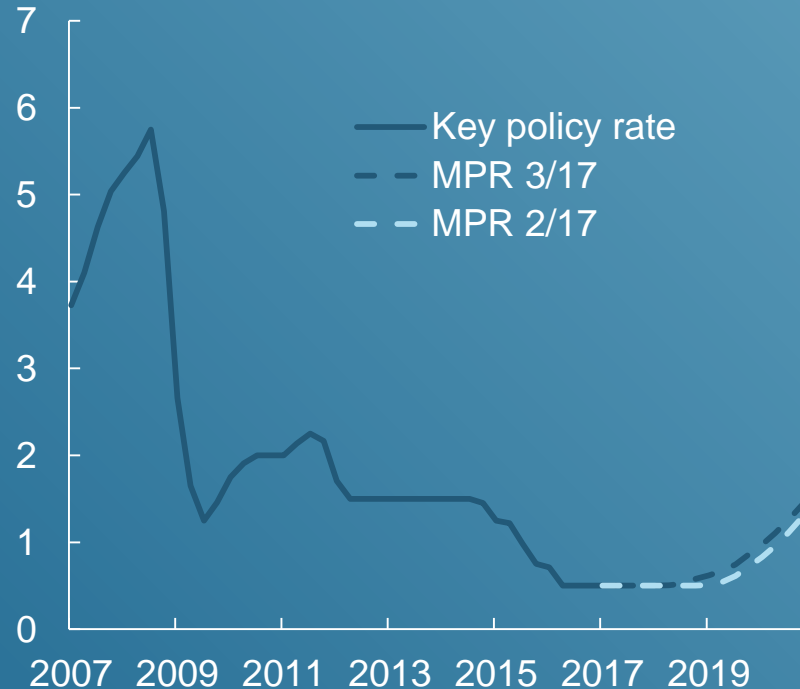
Projections in *Monetary Policy Report 3/17*



1) CPI adjusted for tax changes and excluding energy products.
Sources: Statistics Norway and Norges Bank



The Executive Board's assessment and interest rate forecast



- On the basis of an overall assessment, the Executive Board decided to keep the key policy rate unchanged at 0.5%.
- The Executive Board's current assessment of the outlook and the balance of risks suggests that the key policy rate will remain at today's level in the period ahead.





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