



# OUTLOOK FOR THE NORWEGIAN ECONOMY

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Regional Network, Tromsø, 13 April 2018

# Topics

- Global economy
- Norwegian economy
- Monetary policy



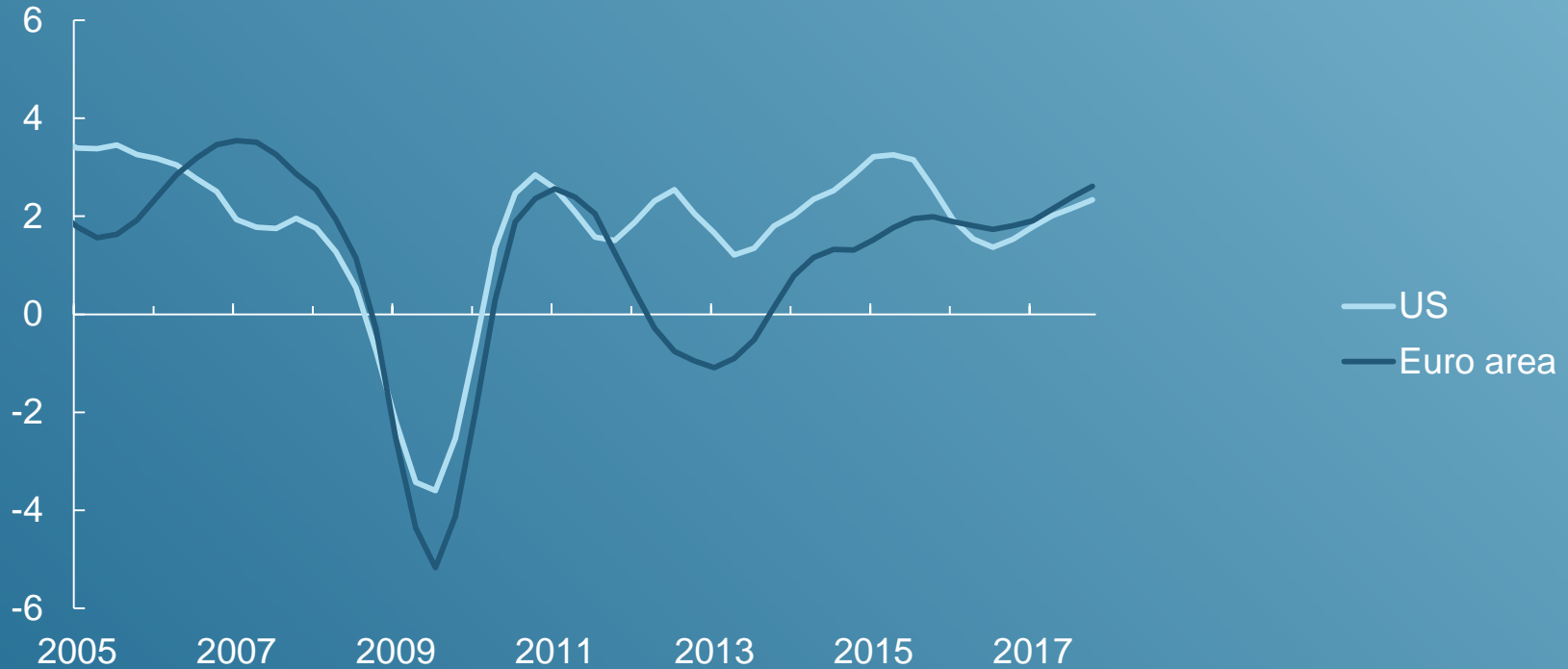
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# GDP growth in the US and euro area

Four-quarter change<sup>1)</sup> . Percent.



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



# Inflation for main trading partners<sup>1)</sup>

Twelve-month change. Percent

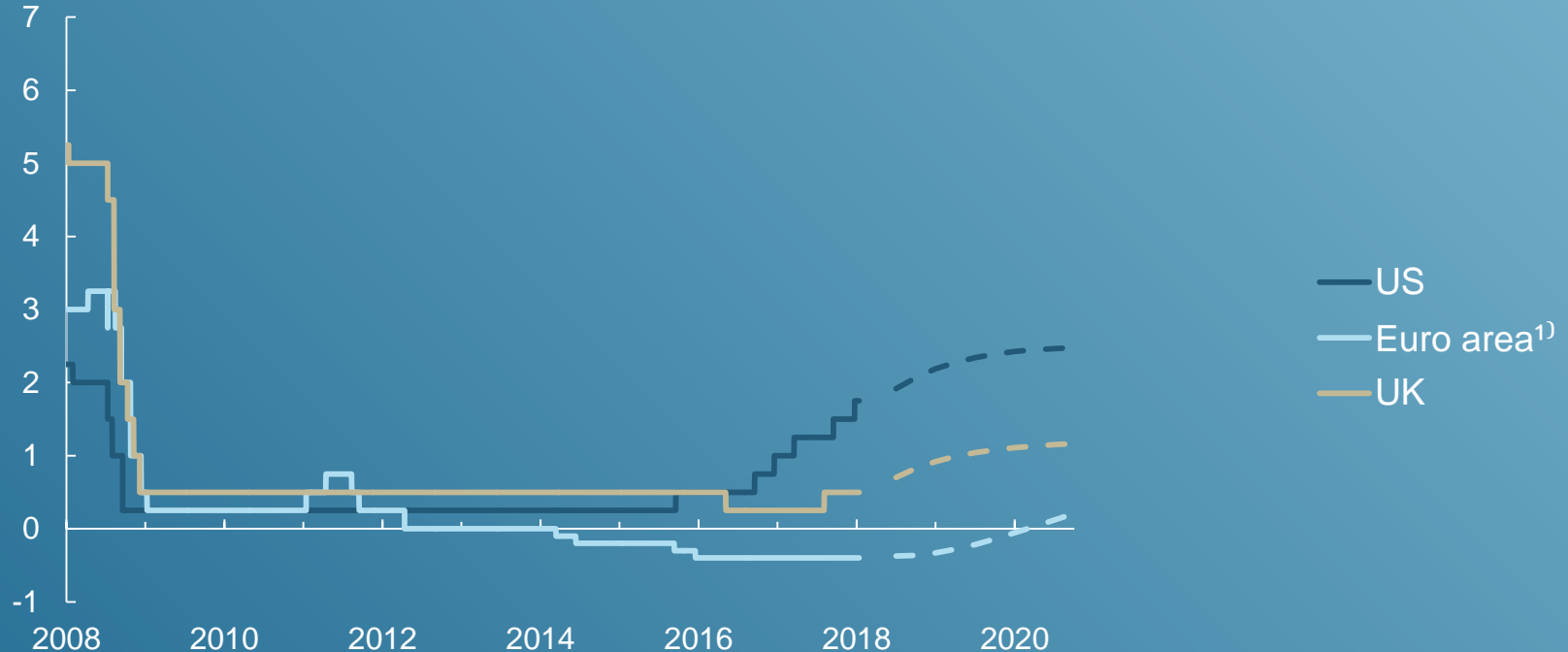


1) US, UK, euro area and Sweden. Import weights.  
Sources: Thomson Reuters and Norges Bank



# Policy rates abroad on the way up

Policy rates and forward rates at 10 April



1) ECB's deposit rate. Eonia from 2018 Q1.  
Sources: Bloomberg, Thomson Reuters and Norges Bank



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# Oil price

USD per barrel Brent Blend at 10 April





# I-44 and oil prices

USD per barrel Brent Blend and import-weighted exchange rate index<sup>1)</sup> at 10 April

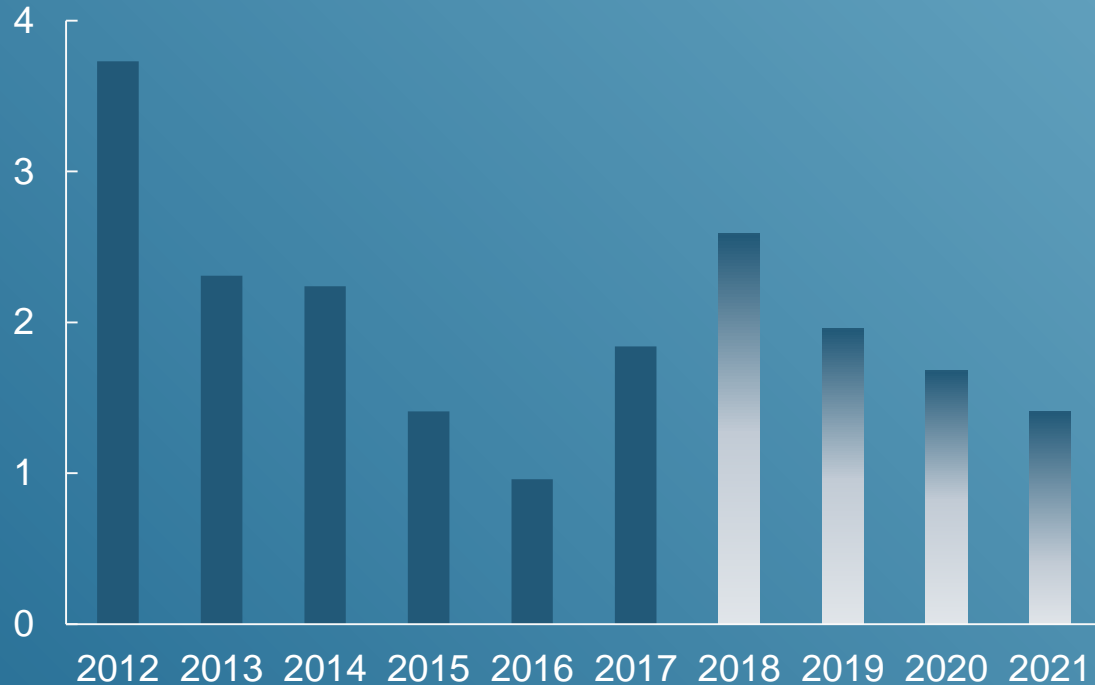


1) A positive slope denotes a stronger krone exchange rate.  
Sources: Thomson Reuters and Norges Bank



# Growth has taken hold

GDP mainland Norway. Annual growth. Percent

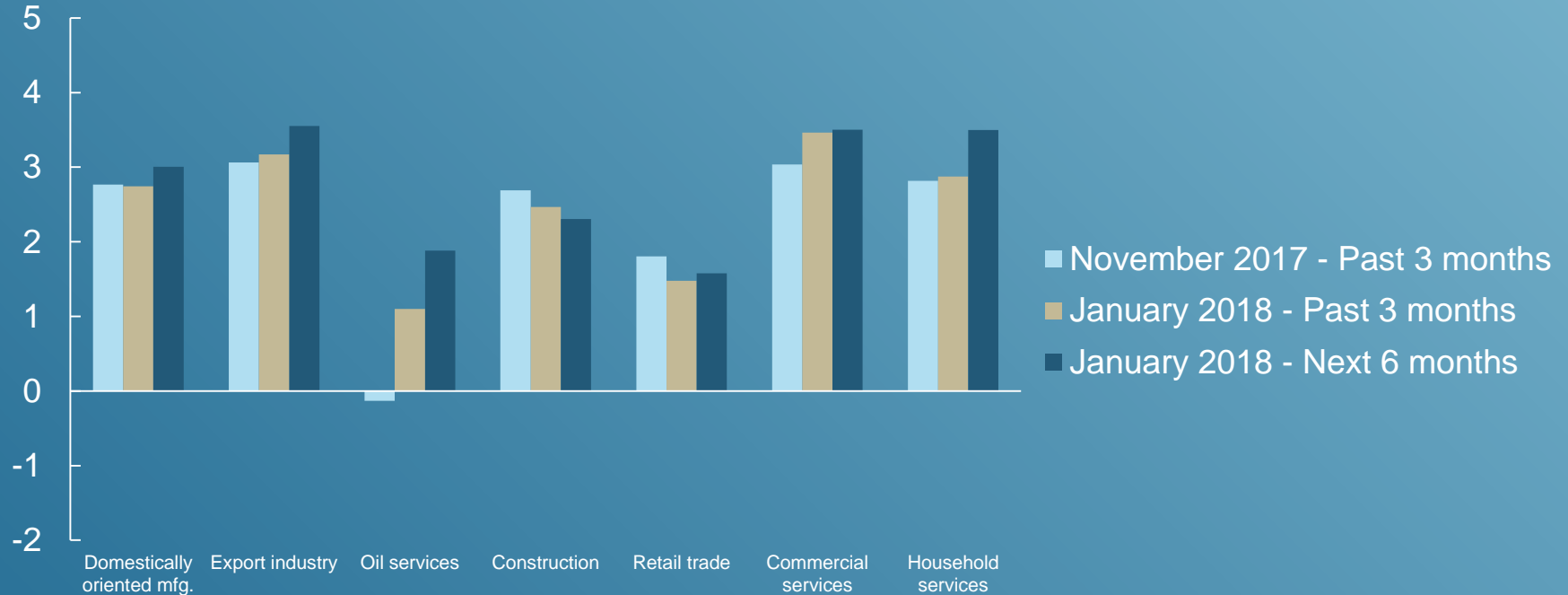


Sources: Statistics Norway and Norges Bank



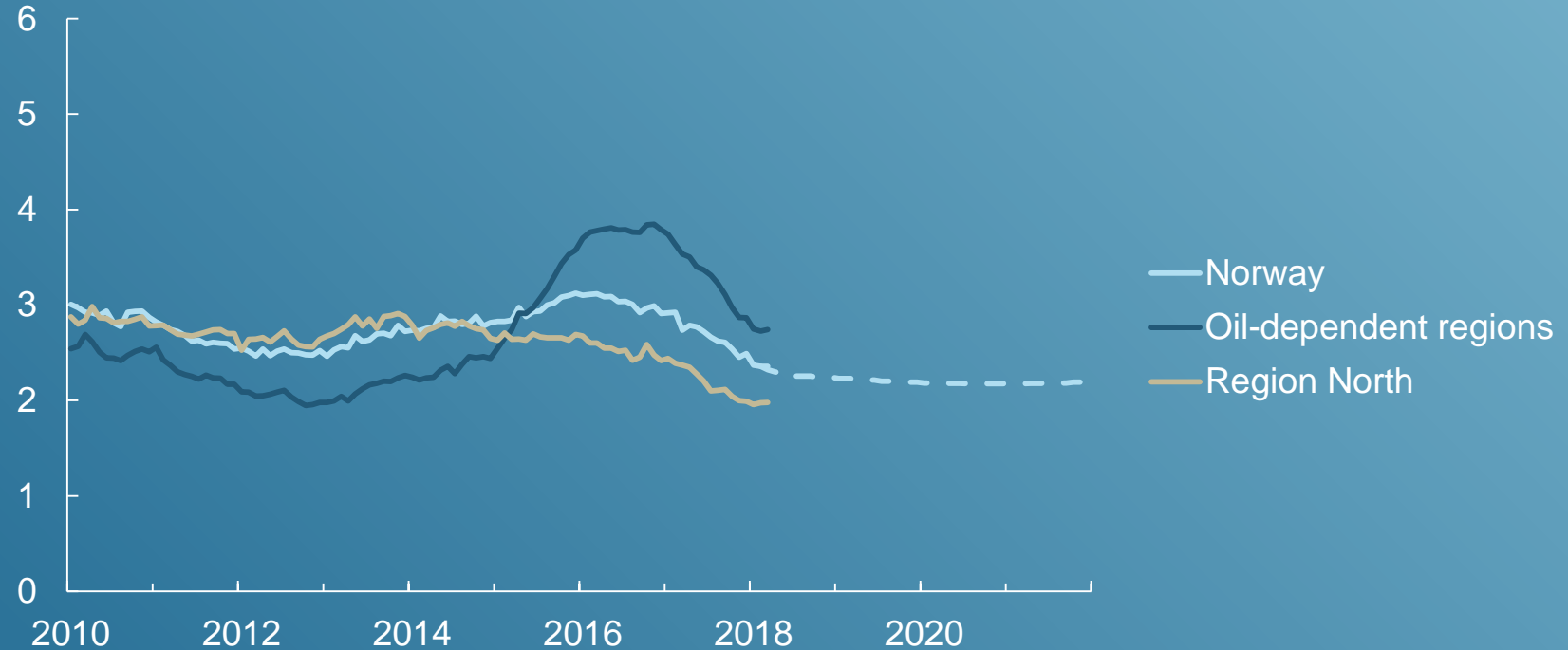
# Regional Network confirms upturn

Reported and expected growth. Annualised. Percent



# Unemployment

-Registered unemployed as a percentage of the labour force. Seasonally adjusted

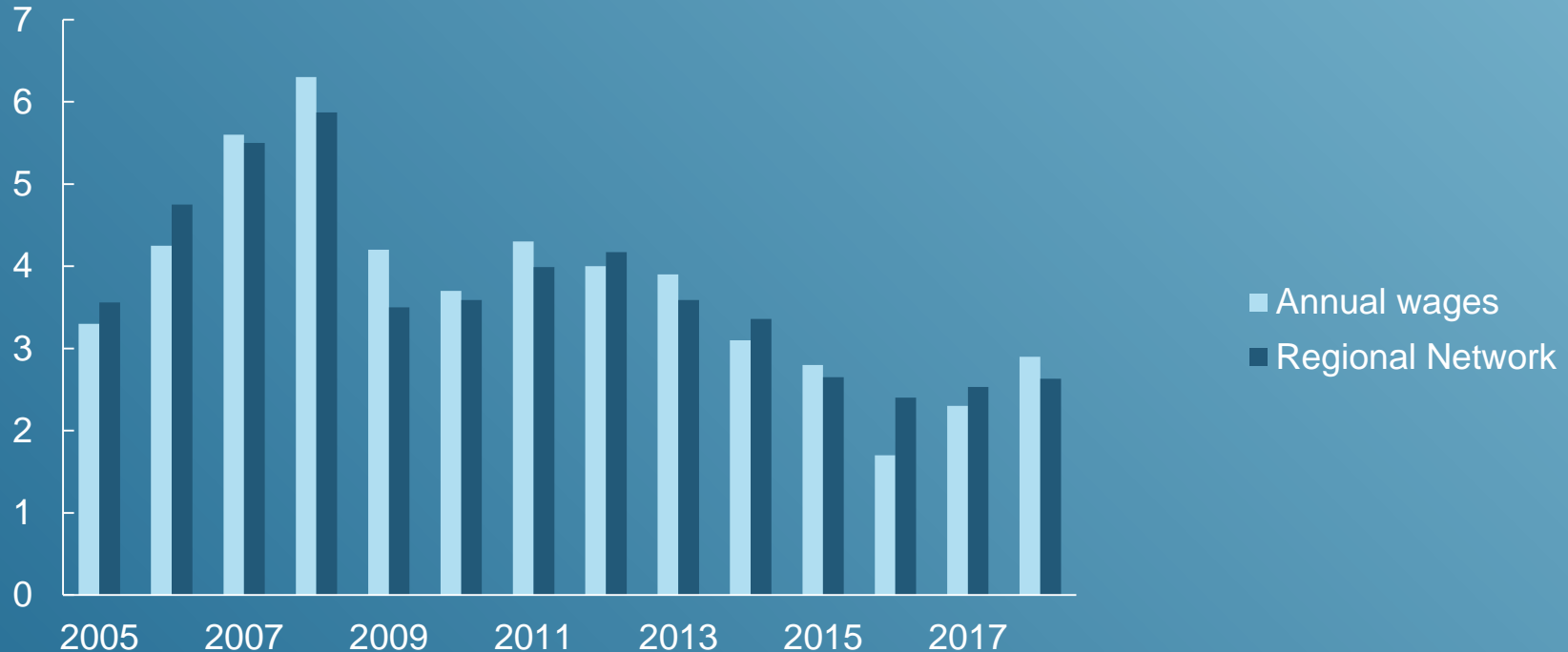


Sources: Norwegian Labour and Welfare Administration (NAV), Statistics Norway and Norges Bank



# Higher wage growth

Wage<sup>1)</sup> and wage expectations<sup>2)</sup>. Annual change. Percent



1) Historical annual wage growth from Statistics Norway. Norges Bank's projections for 2018.

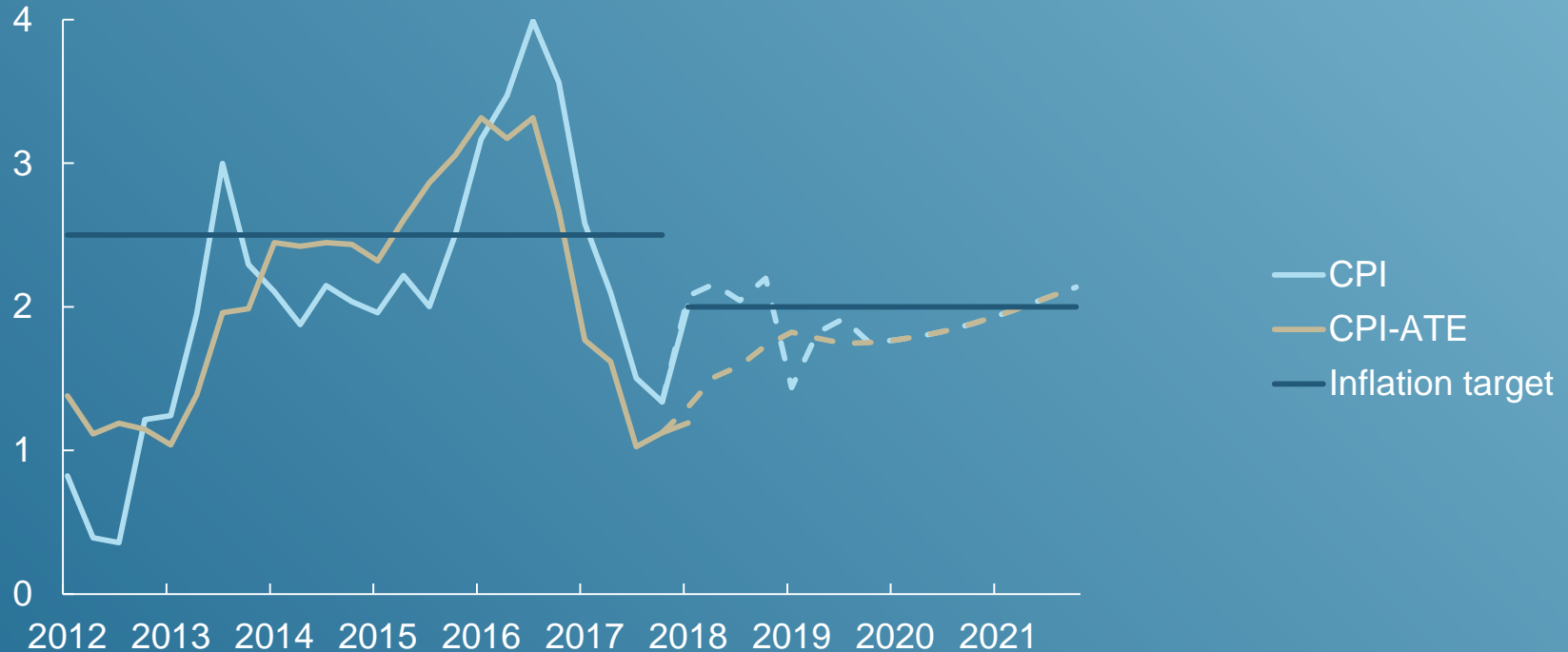
2) Expectations for annual wage growth in the current year from the Regional Network in January each year.

Sources: Statistics Norway and Norges Bank



# Inflation edging higher

CPI and CPI-ATE. Four-quarter change. Percent



# House prices

Twelve-month change. Percent



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



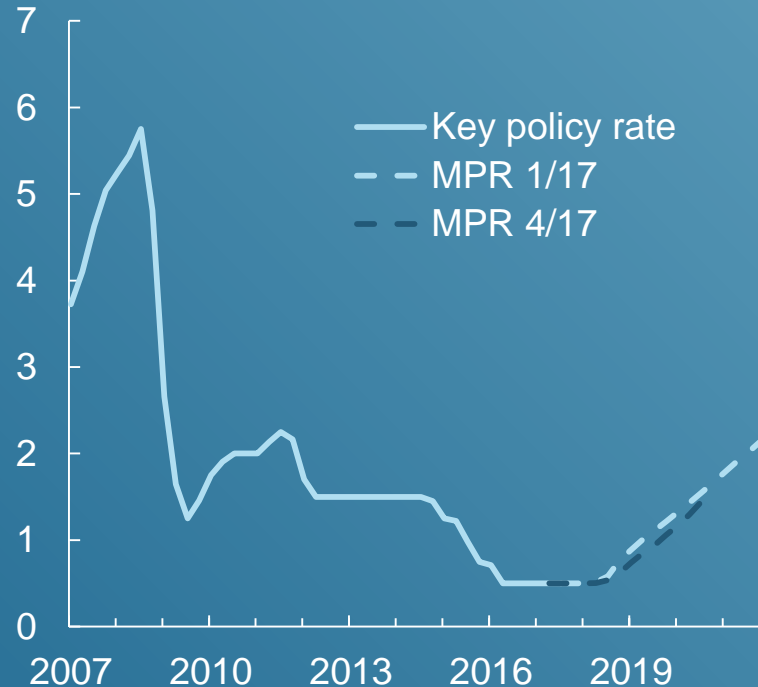
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# The Executive Board's assessment and interest rate forecast

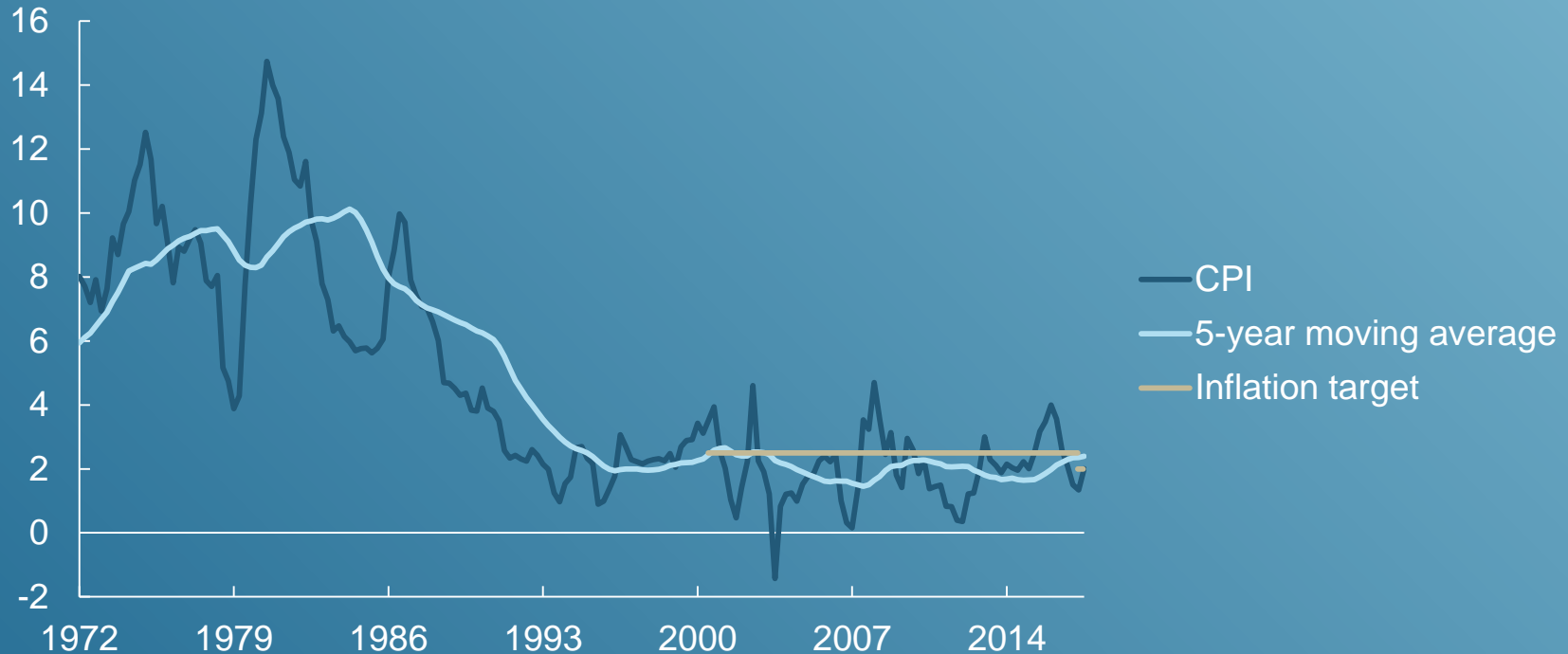


- The Executive Board decided to keep the key policy rate unchanged at 0.5%.
- The Executive Board's current assessment of the outlook and balance of risks suggests that the key policy rate will most likely be raised after summer 2018.



# Inflation targeting has worked well

CPI. Four-quarter change. Percent



# New Regulation on Monetary Policy

Section 1 “Monetary policy shall maintain monetary stability by keeping inflation low and stable.”

Section 3 “The operational target of monetary policy shall be annual consumer price inflation of close to 2 percent over time. Inflation targeting shall be forward-looking and flexible so that it can contribute to high and stable output and employment and to counteracting the build-up of financial imbalances.”



# Letter from Norges Bank of 28 February:

“In the opinion of Norges Bank, the new regulation clarifies the monetary policy mandate and underpins the Bank’s flexible approach to inflation targeting. In Norges Bank’s assessment, the new regulation will not result in significant changes in the conduct of monetary policy.”



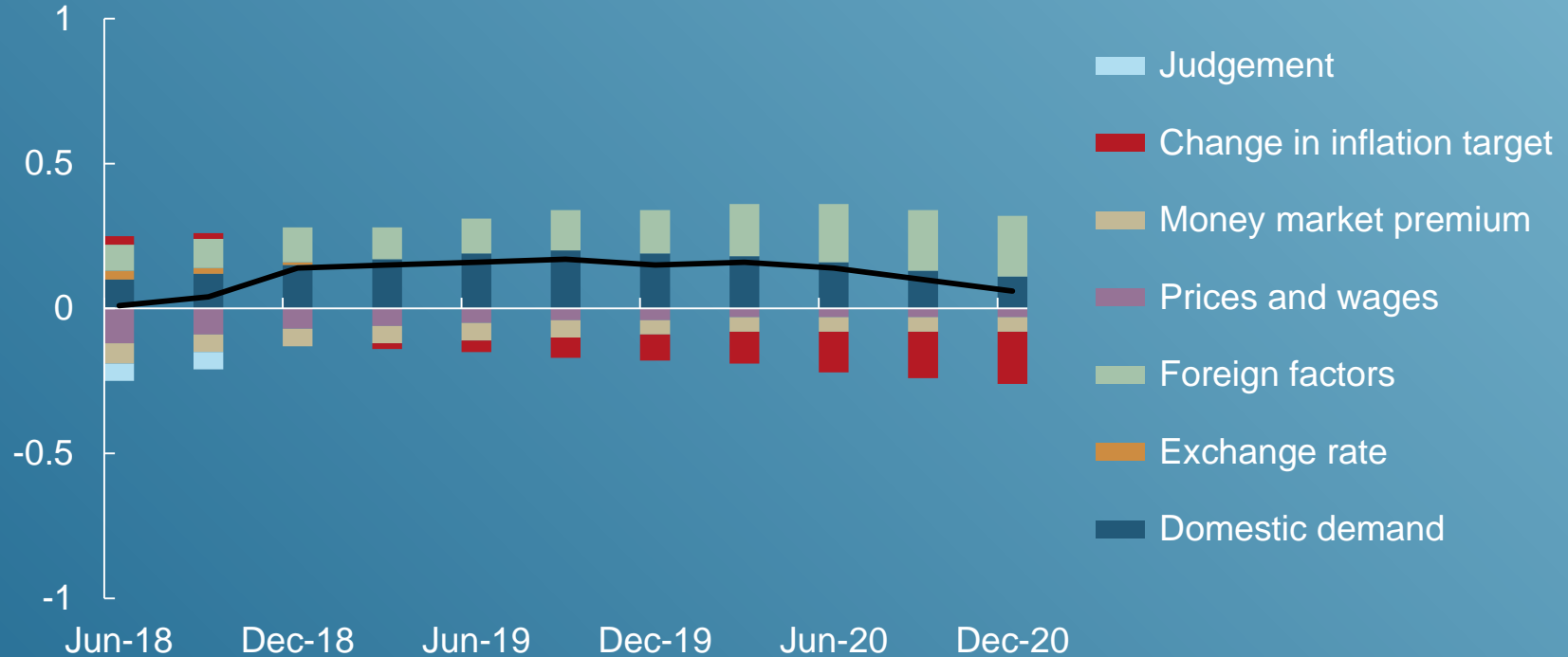
# Executive Board's assessment MPR 1/18

“Over time, lower inflation owing to a lower inflation target will result in a correspondingly lower nominal interest rate. The inflation targeting regime is flexible, and weight is given to developments in output and employment. A lower numerical target in and of itself is of little importance for the interest rate outlook in the coming period.”



# Changes in the key policy rate forecast

Factors behind changes in key policy rate forecast. Percentage points



# Conclusion

- Flexible inflation targeting works well.
- The new regulation will not result in significant changes in the conduct of monetary policy.
- The first increase in the key policy rate is drawing closer – this is good news.





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