



ECONOMIC OUTLOOK

DEPUTY GOVERNOR
JON NICOLAISEN
Jæren, 10 May 2017

1. Background: structural adjustments and oil sector downturn
2. The current situation abroad
3. The economy in Norway has turned the corner

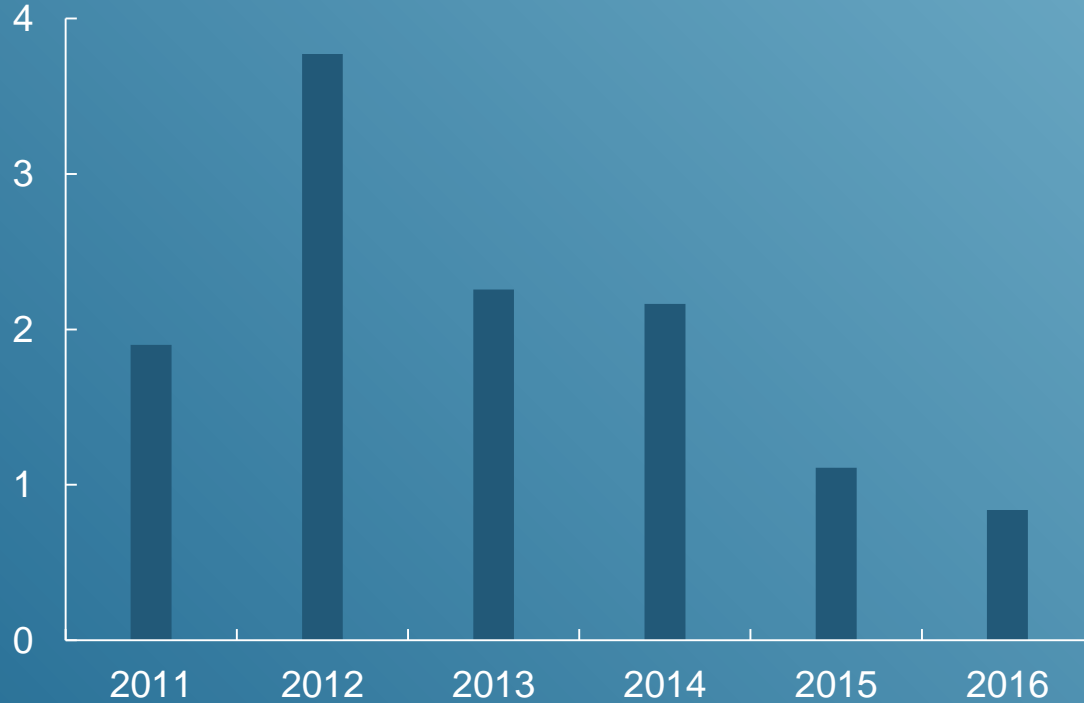


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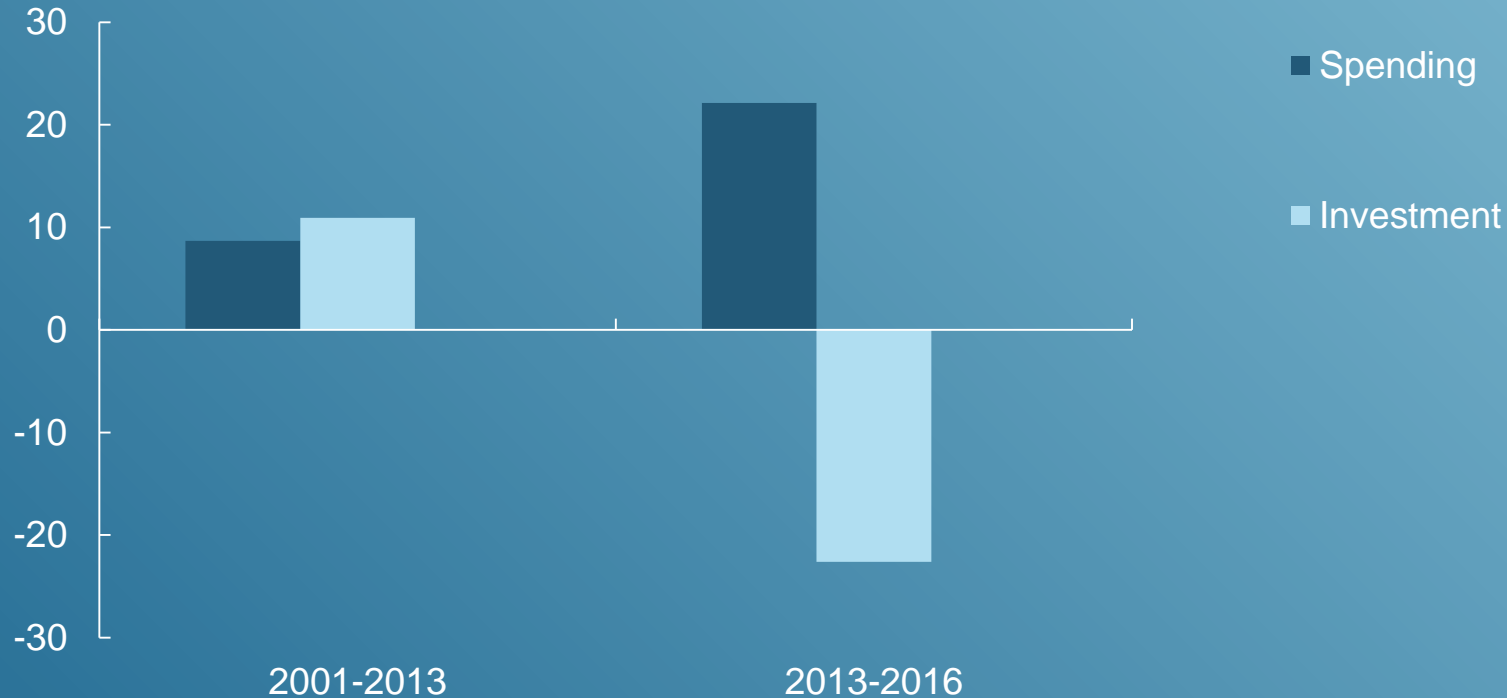
Oil prices putting a brake on growth

GDP mainland Norway. Volume. Annual growth. Percent



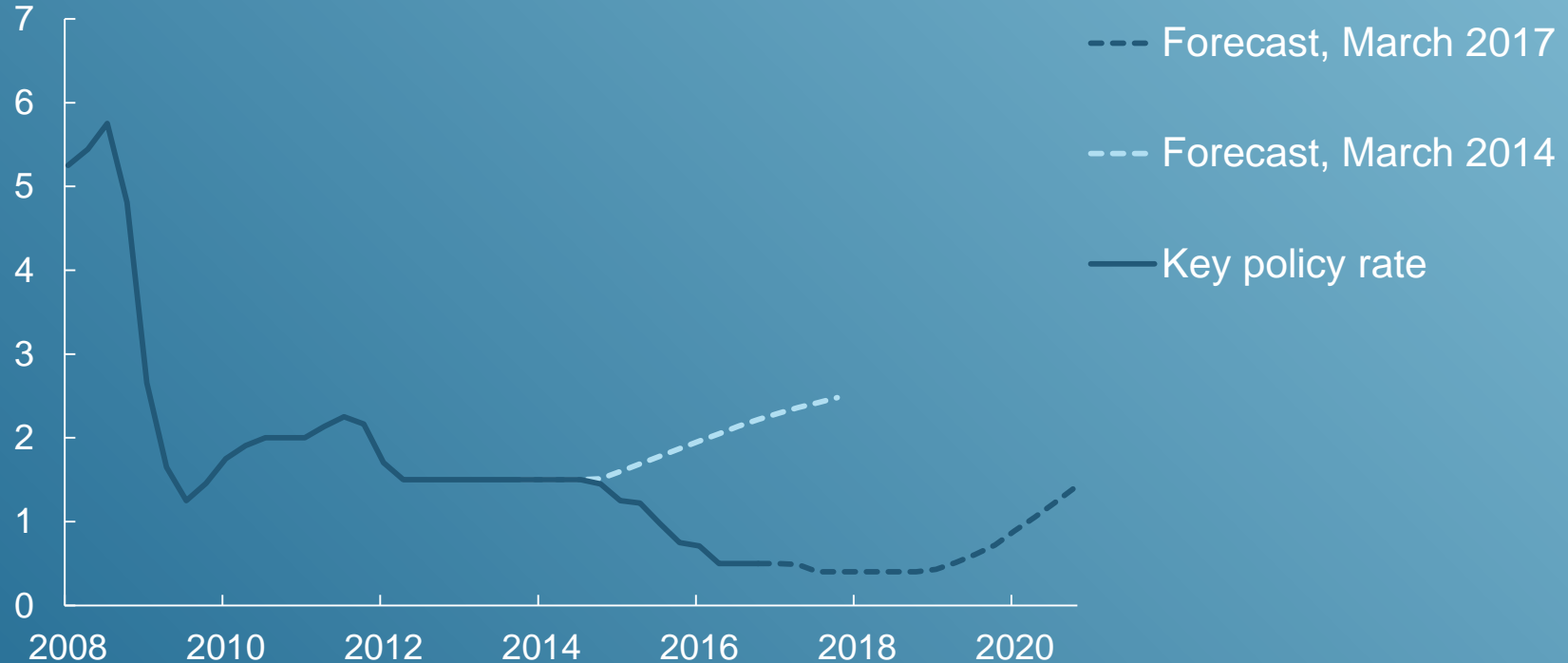
Oil investment and petroleum revenue spending

In billions of 2016 NOK. Average annual change



The key policy rate has been lowered

Percent



Oil price and krone exchange rate

Oil price¹⁾ and import-weighted exchange rate index²⁾



1) Brent Blend. USD/barrel.

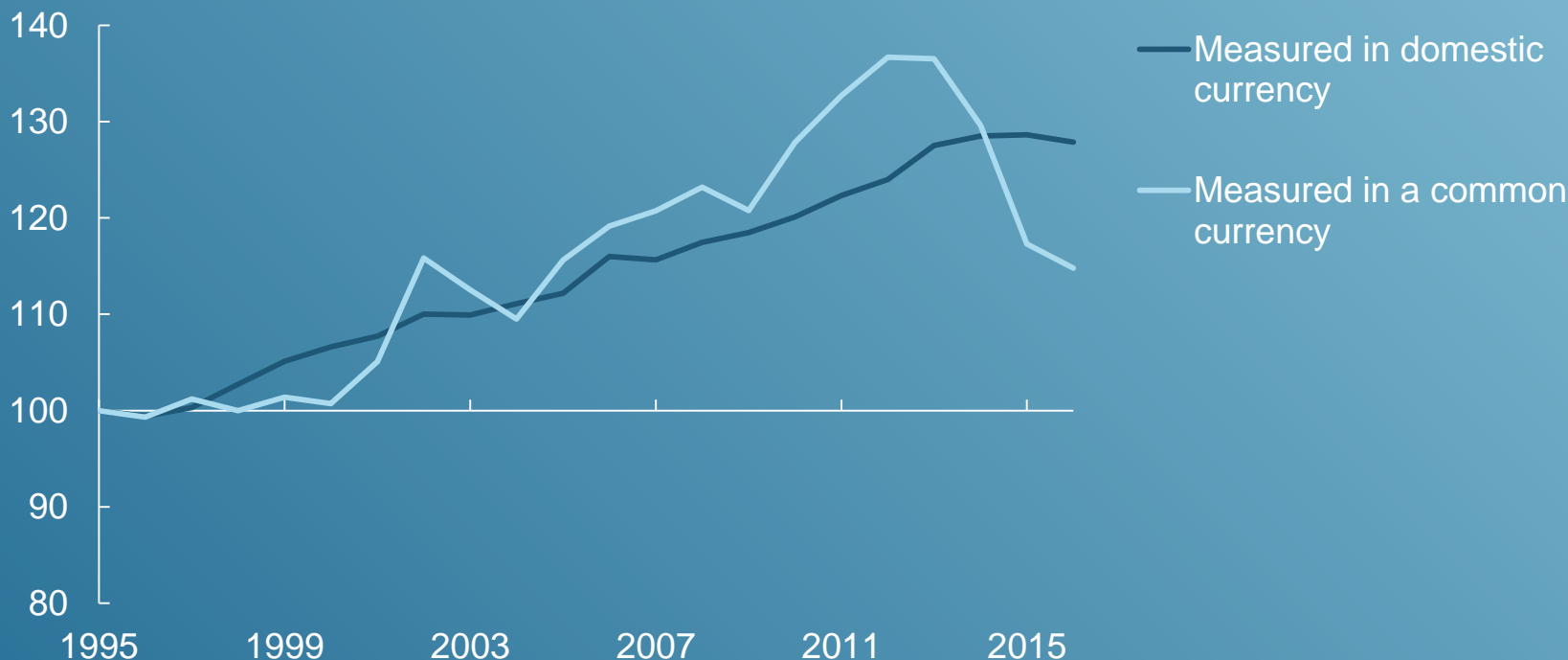
2) A positive slope denotes a stronger krone exchange rate.

Sources: Thomson Reuters and Norges Bank



Improved competitiveness

Labour costs in Norway, relative to trading partners' labour costs¹⁾. Index²⁾



1) Hourly labour costs in manufacturing.

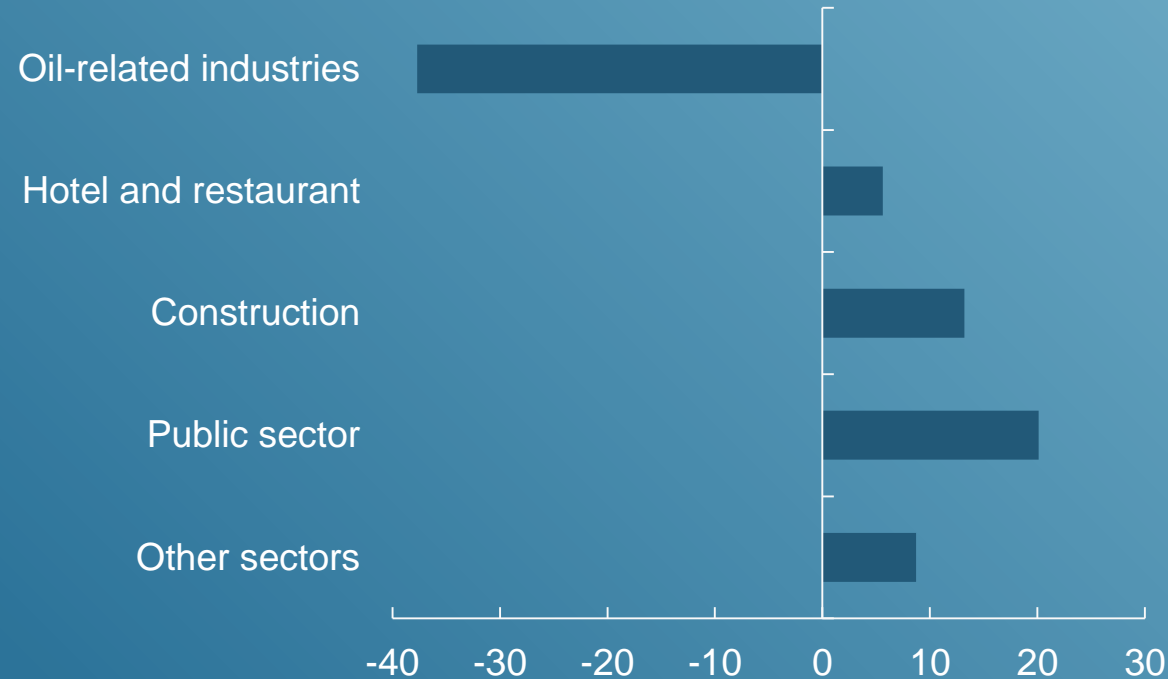
2) Index 1995 = 100.

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



Structural adjustments

Changes in employment between 2014 Q3 and 2016 Q4. In thousands of persons

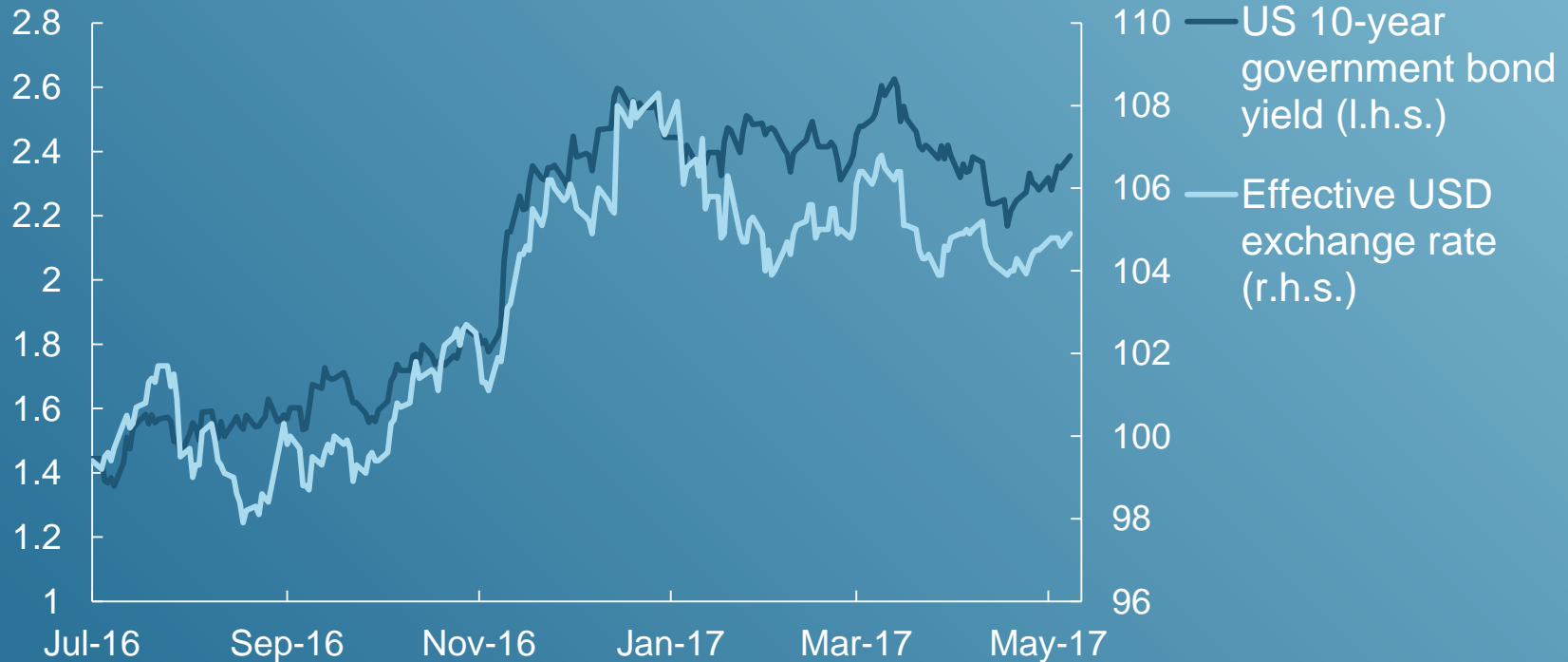


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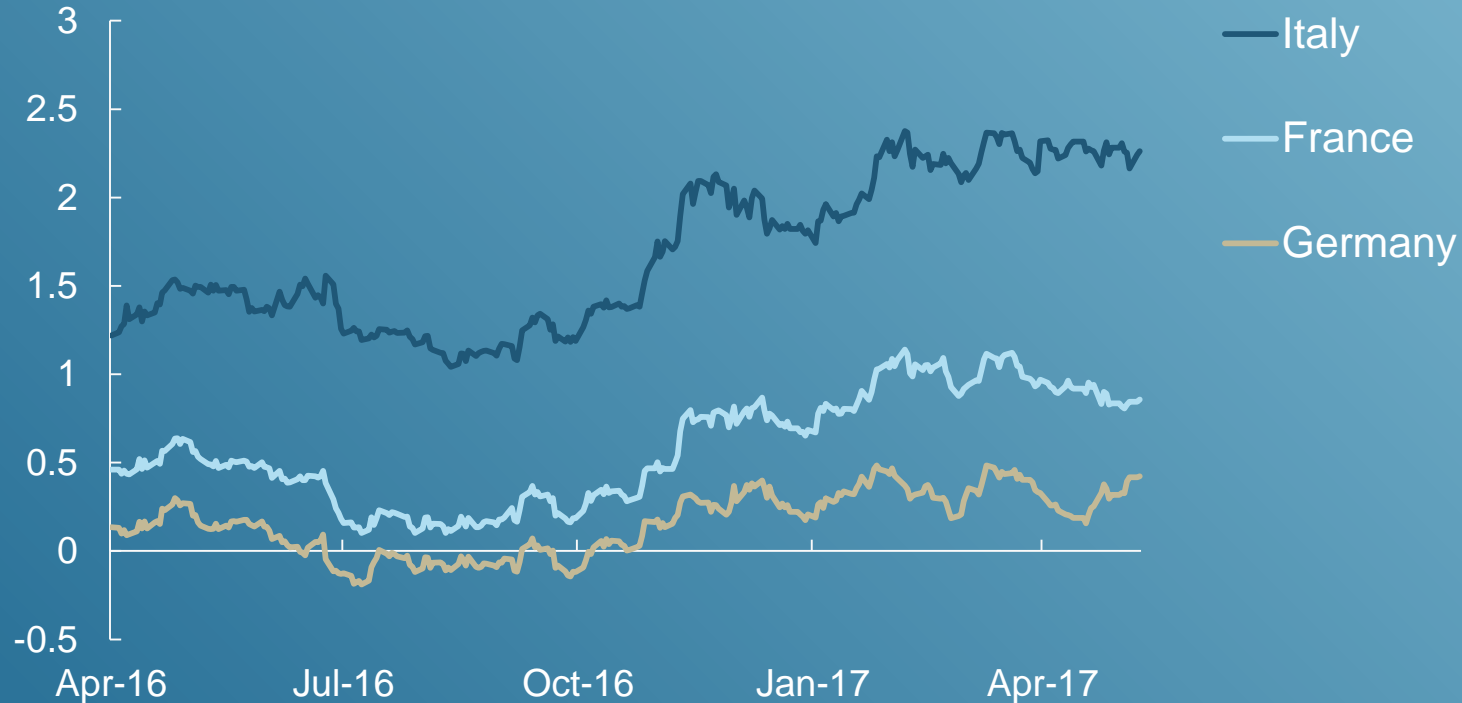
US: The dollar has risen in tandem with long yields

US 10-year government bond yield and effective US dollar exchange rate



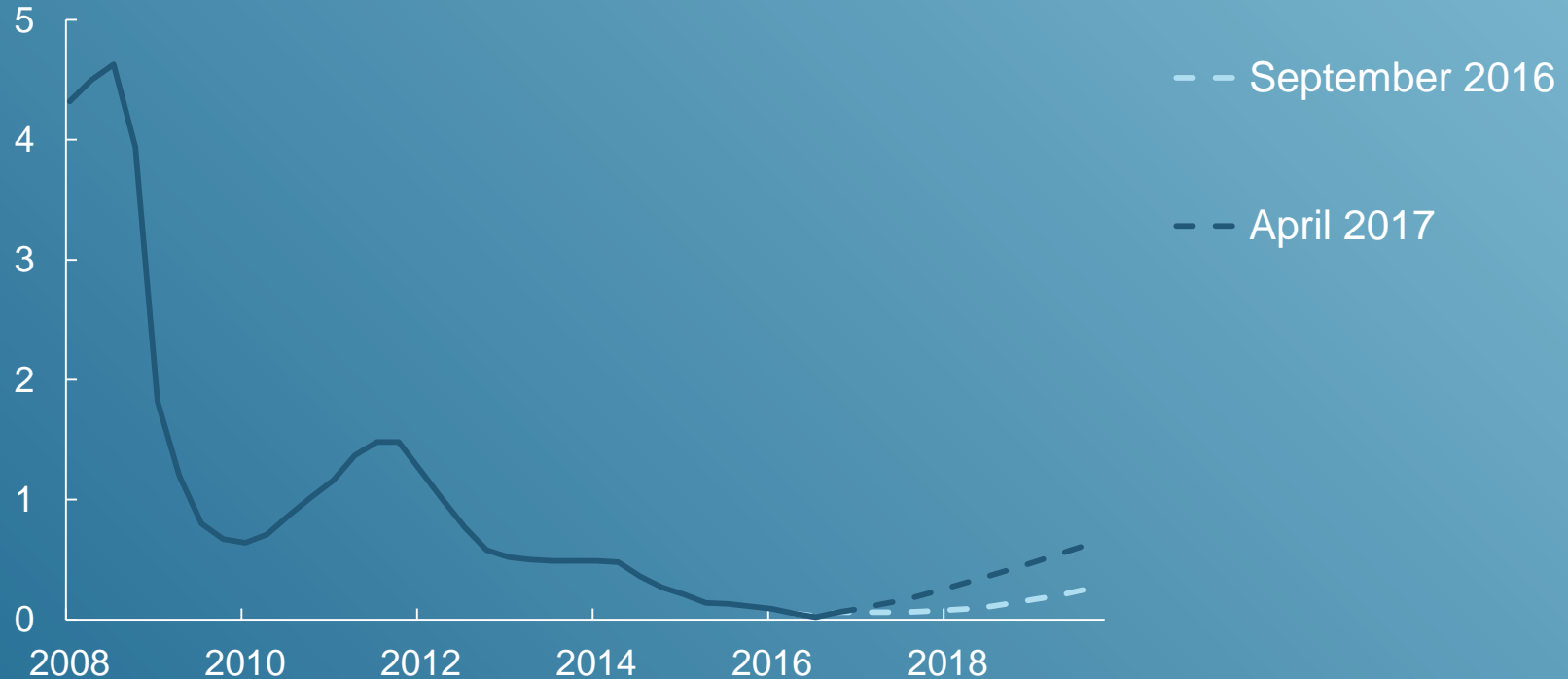
Europe: Somewhat wider sovereign yield spreads

10-year government bond yields. Percent



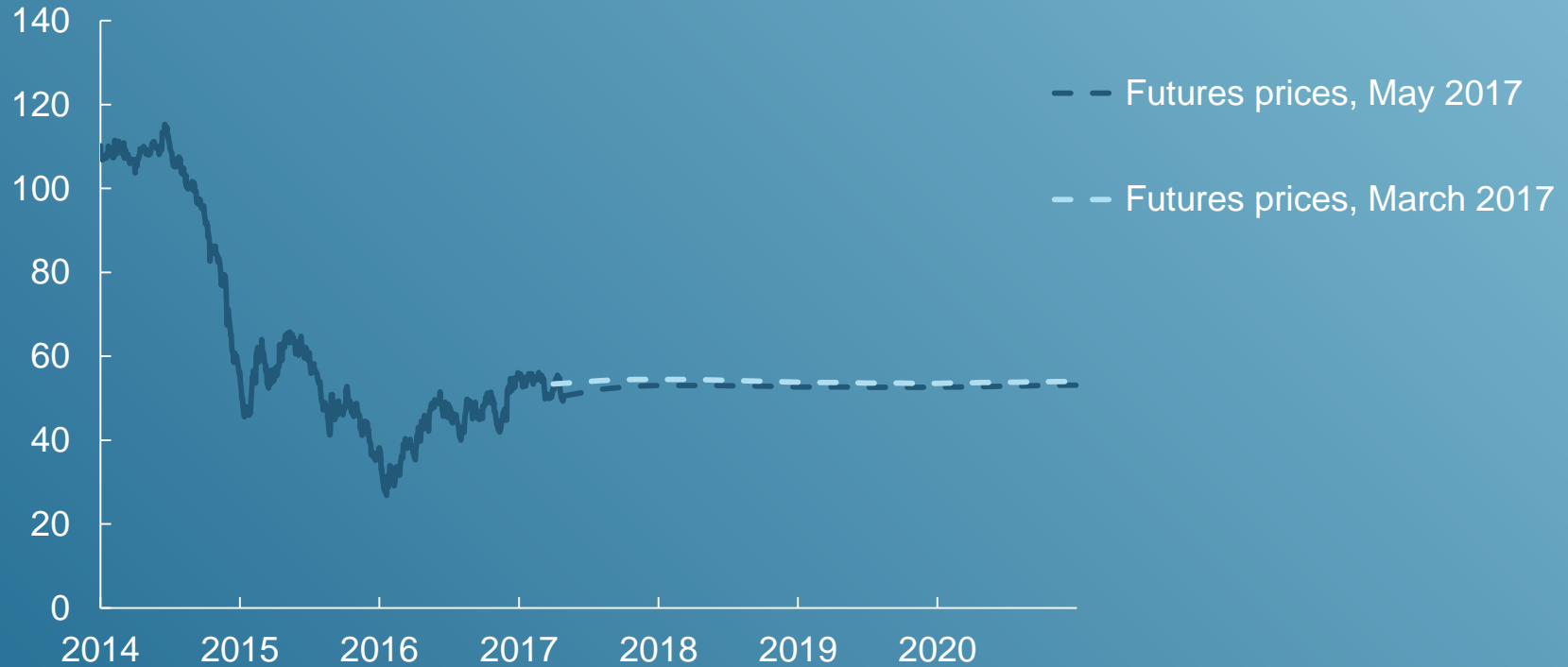
Have rates abroad reached bottom?

Money market rates and forward rates for trading partners. Percent.



Oil price

USD per barrel. January 2014 – December 2020¹⁾



1) Futures prices for May 2017 (broken lines) are the average of futures prices for the period 25 April – 1 May 2017.
Sources: Thomson Reuters and Norges Bank



Active rigs and production in the US

Production in millions of barrels per day. Week 1 2013 – week 17 2017

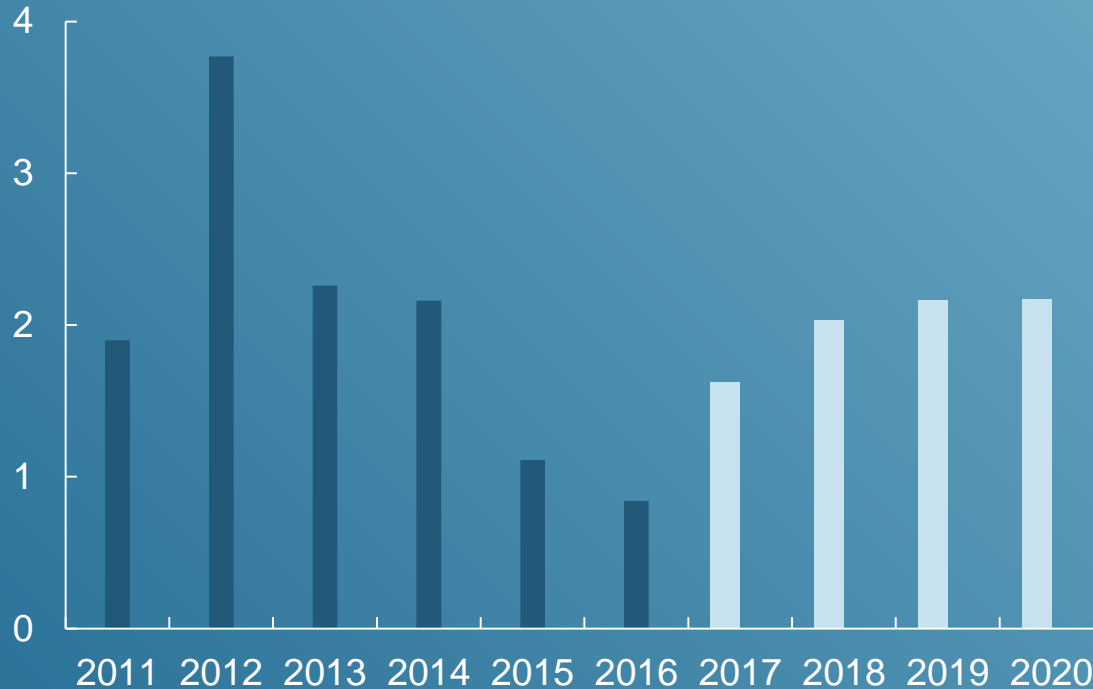


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The economy has turned the corner

GDP mainland Norway.¹⁾ Volume. Annual growth. Percent

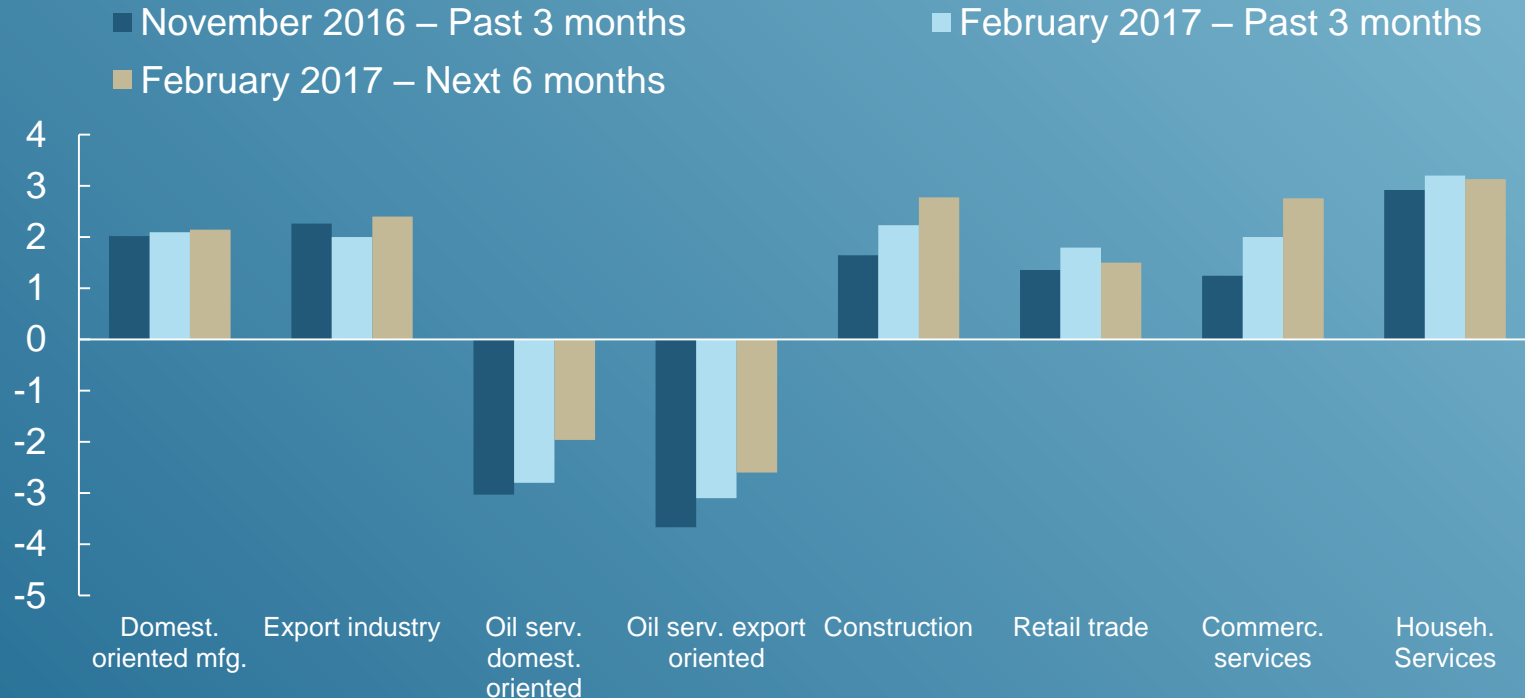


1) Projections for 2017-2020 from MPR 1/17.
Sources: Statistics Norway and Norges Bank



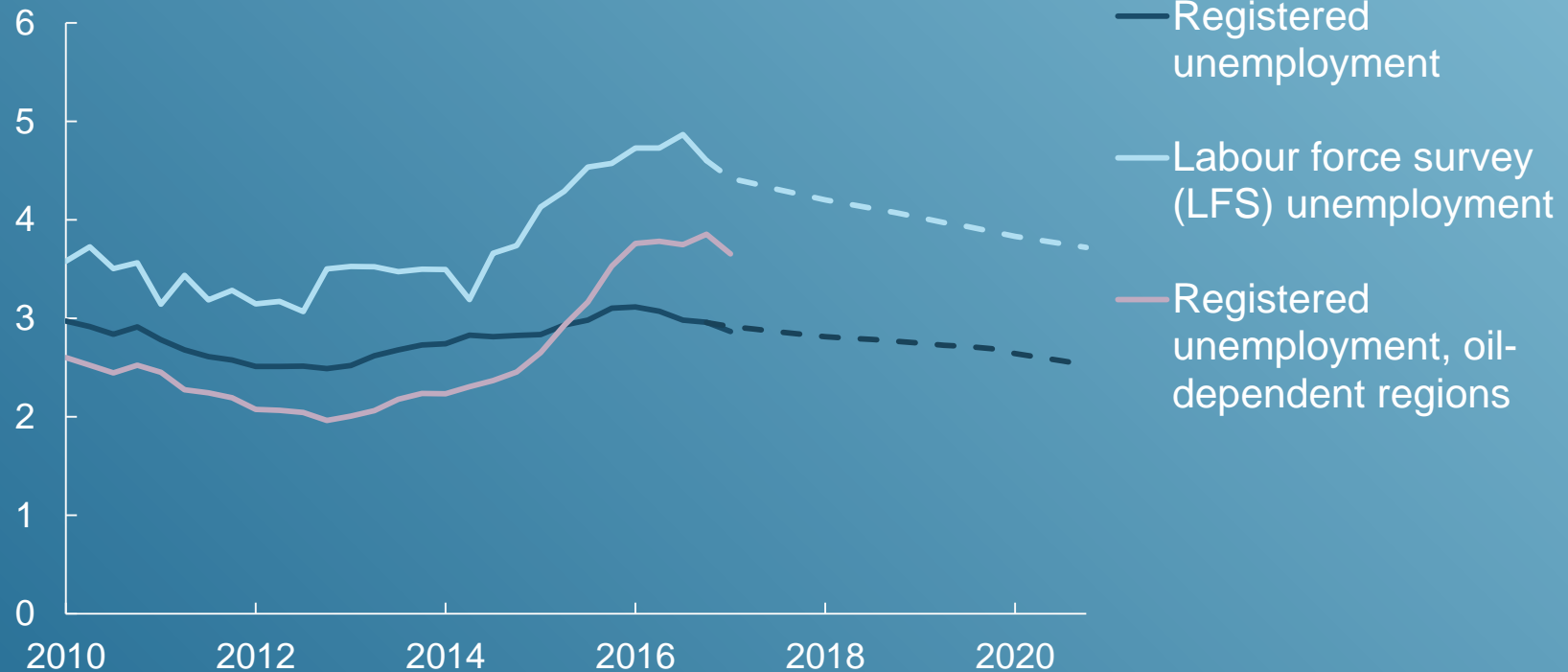
Regional network reports broad upturn

Reported and expected output growth. Annualised. Percent



Unemployment

As a percentage of the labour force. Seasonally adjusted



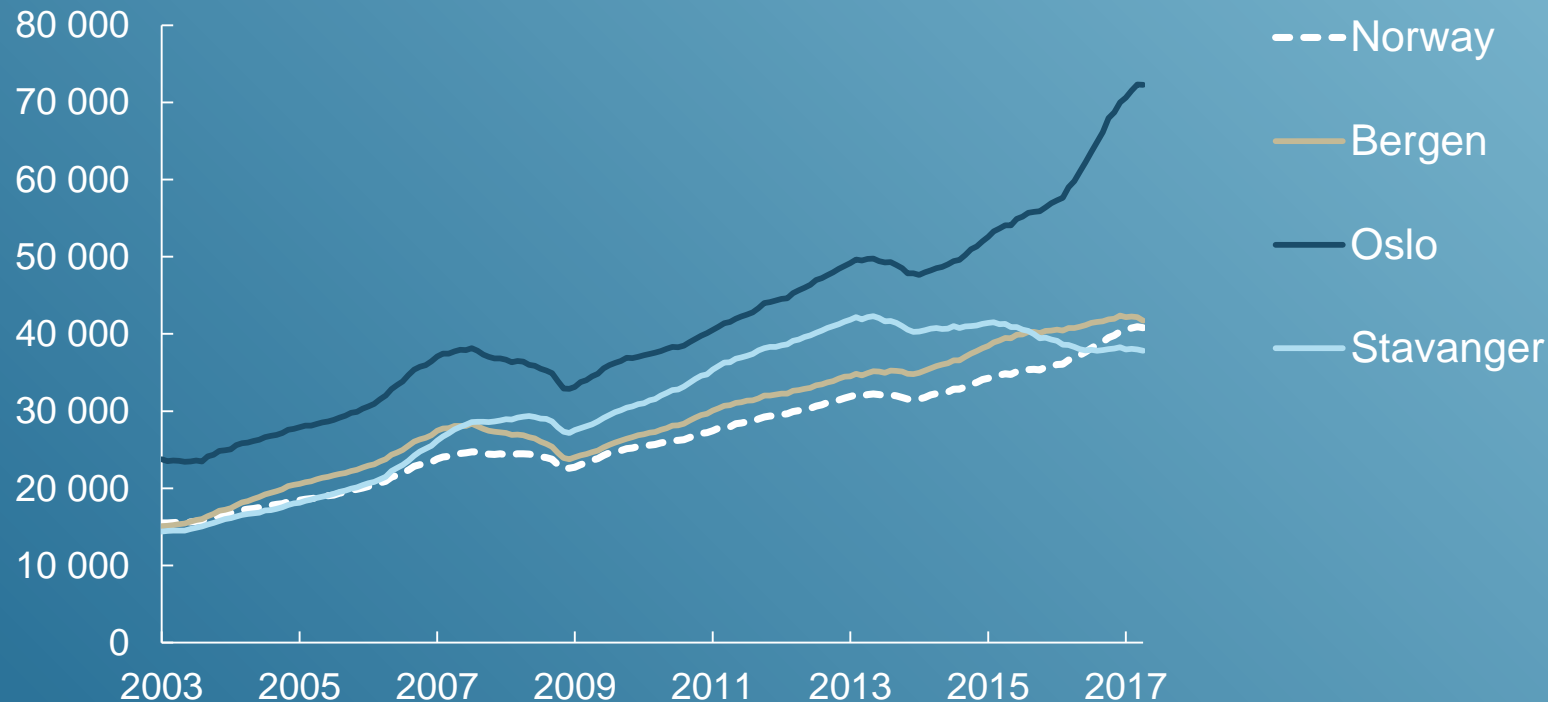
1) Hordaland, Møre og Romsdal, Rogaland and Vest-Agder.

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



House price inflation has risen

NOK per square metre

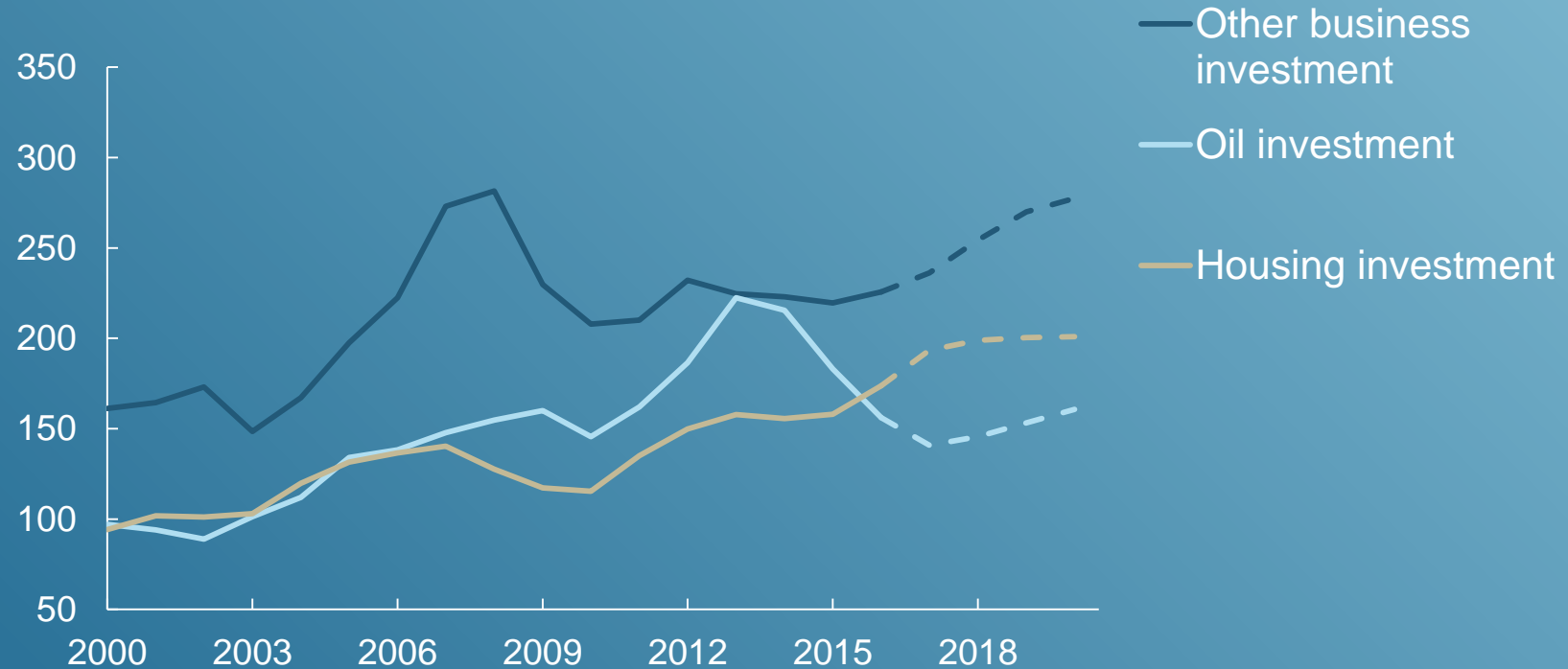


Sources: Finn.no, Eiendomsverdi and Real Estate Norway



Oil investment close to bottoming out

Constant 2015 prices¹⁾. In billions of NOK



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



Is oil revenue spending levelling off?

Constant 2017 prices. In billions of NOK. 2000–2020¹⁾

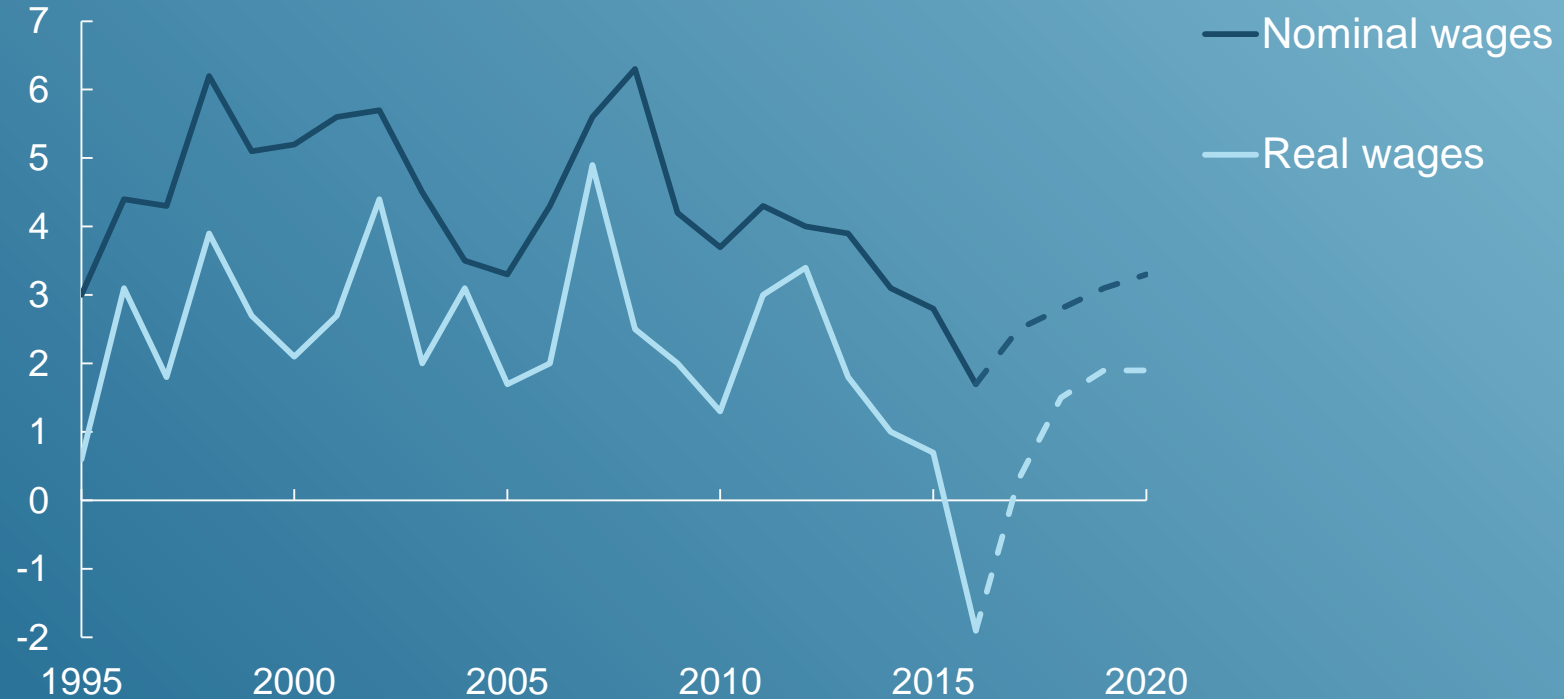


1) Projections for 2017–2020 (broken line and shaded).
Sources: Ministry of Finance and Norges Bank



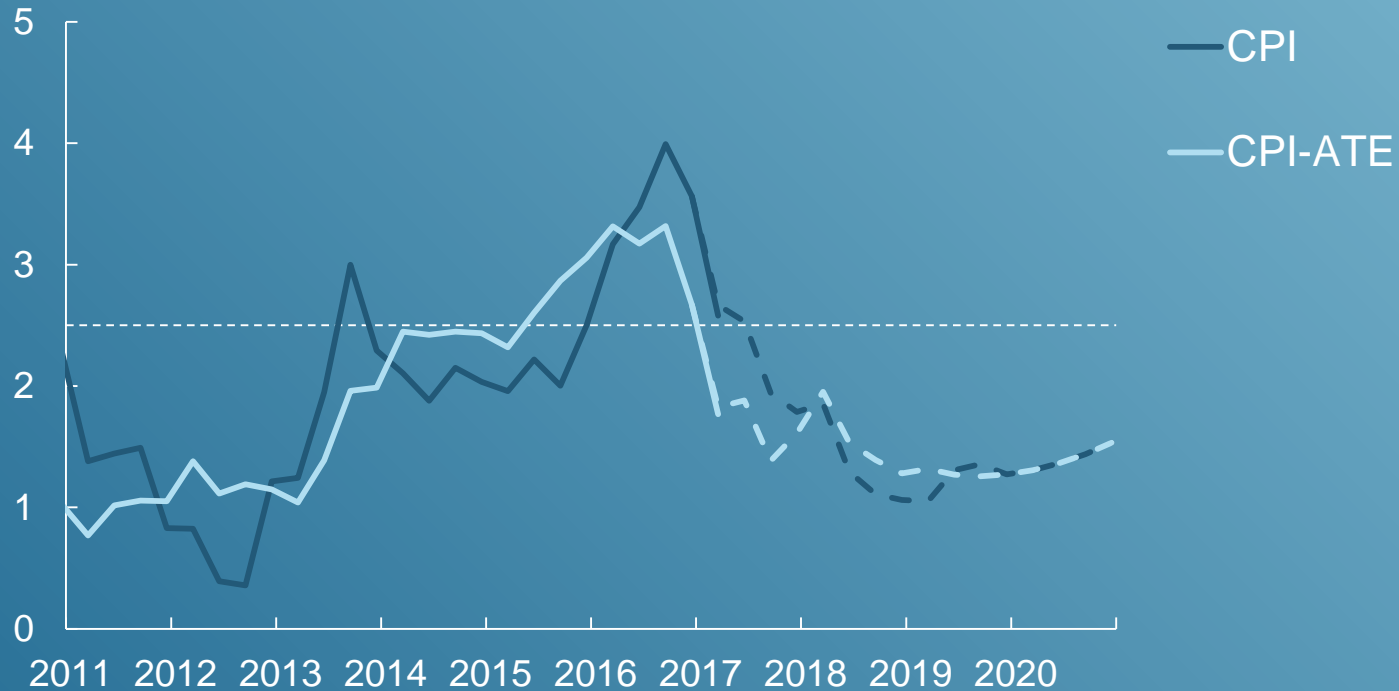
Historically low wage growth

Annual growth. Percent. 1995–2020



Inflation is falling

Twelve-month change. Percent

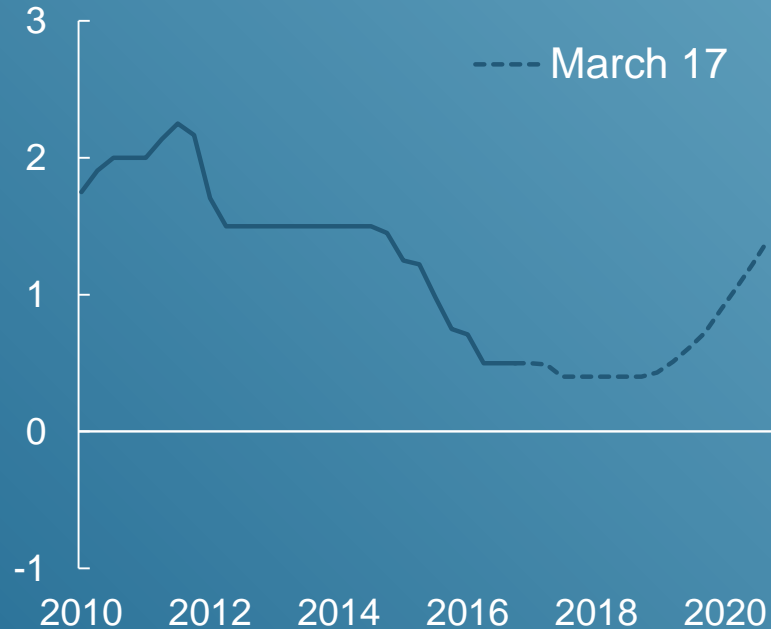


Sources: Statistics Norway and Norges Bank



Forecast for the key policy rate

Percent



Norges Bank's Executive Board, March 2017:

- The Executive Board's current assessment of the outlook suggests that the key policy rate will most likely remain at today's level in the period ahead.


Norges Bank's Executive Board, May 2017:

- The outlook and the balance of risks for the Norwegian economy do not appear to have changed substantially since the March *Report*. The key policy rate has therefore been kept unchanged at this meeting.

Increase in the number of monetary policy meetings and publication of the minutes of monetary policy meetings

- Norges Bank's Executive Board has decided to publish the minutes of monetary policy meetings.
- The content of the minutes will be included in the Executive Board's assessment, which will be published at the same time as the interest rate decision is announced.
- The Executive Board has also decided to increase the number of monetary policy meetings from six to eight per year, beginning in 2018.





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