



# INTEREST RATES, MONETARY POLICY AND FINANCIAL STABILITY

DEPUTY GOVERNOR JON NICOLAISEN

Oslo, 15 October 2019

# Agenda

1. There are global challenges
2. In Norway, conditions have improved
3. Balance in the housing market?

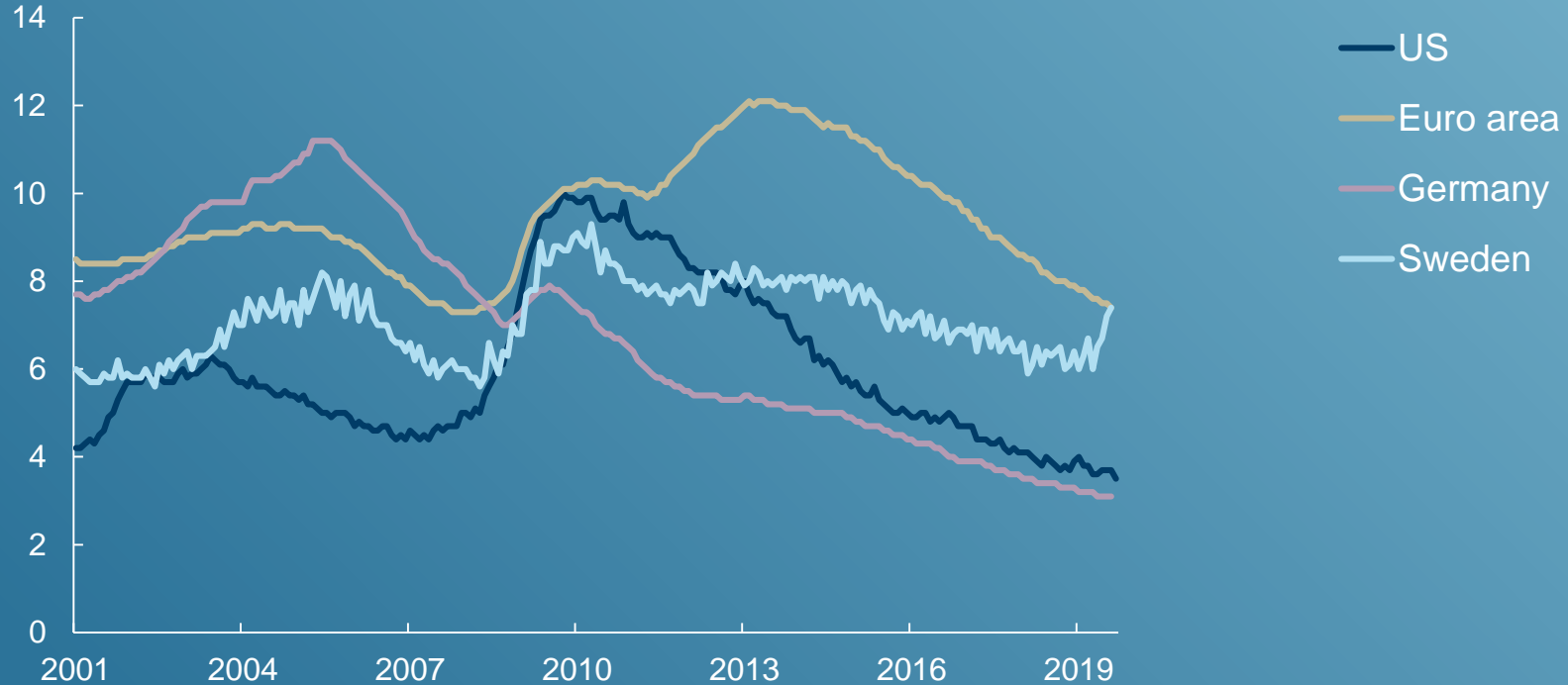


# 1. There are global challenges



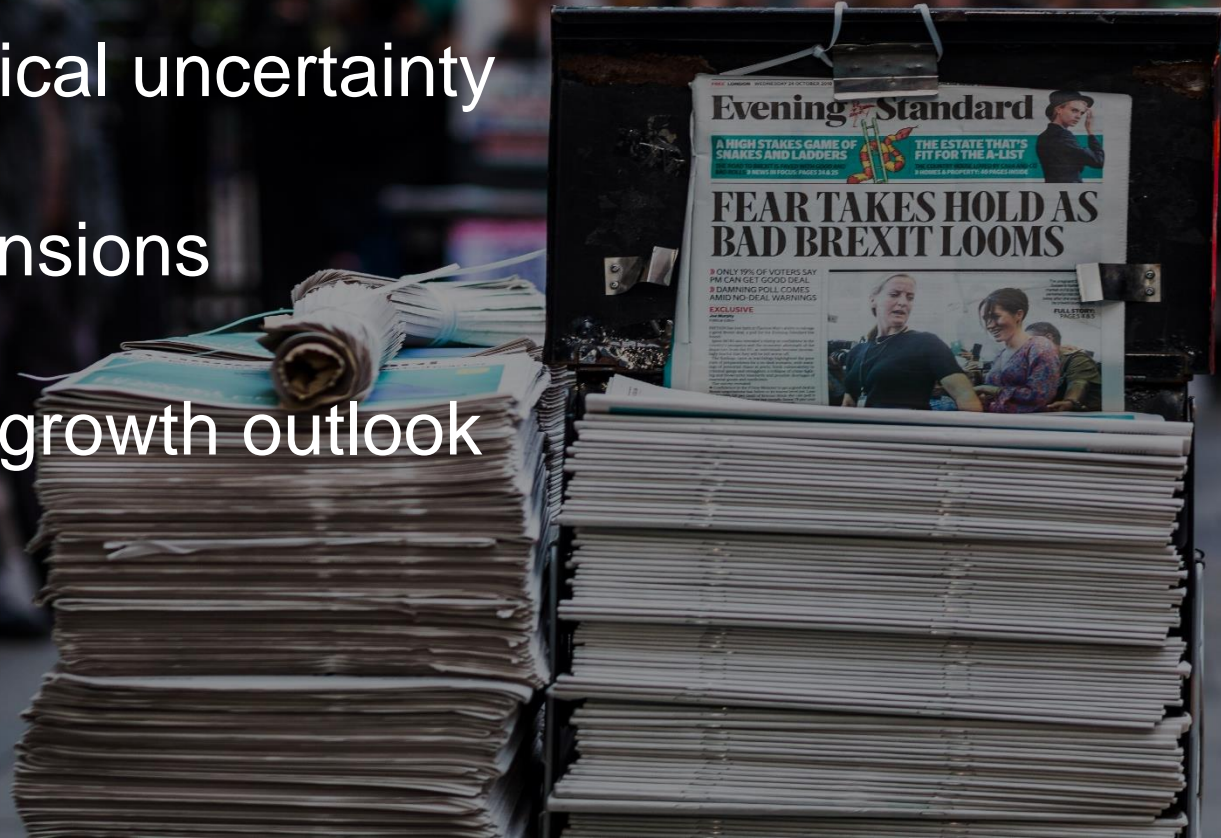
# The starting point is not so bad...

Unemployment as a share of the workforce. Seasonally adjusted



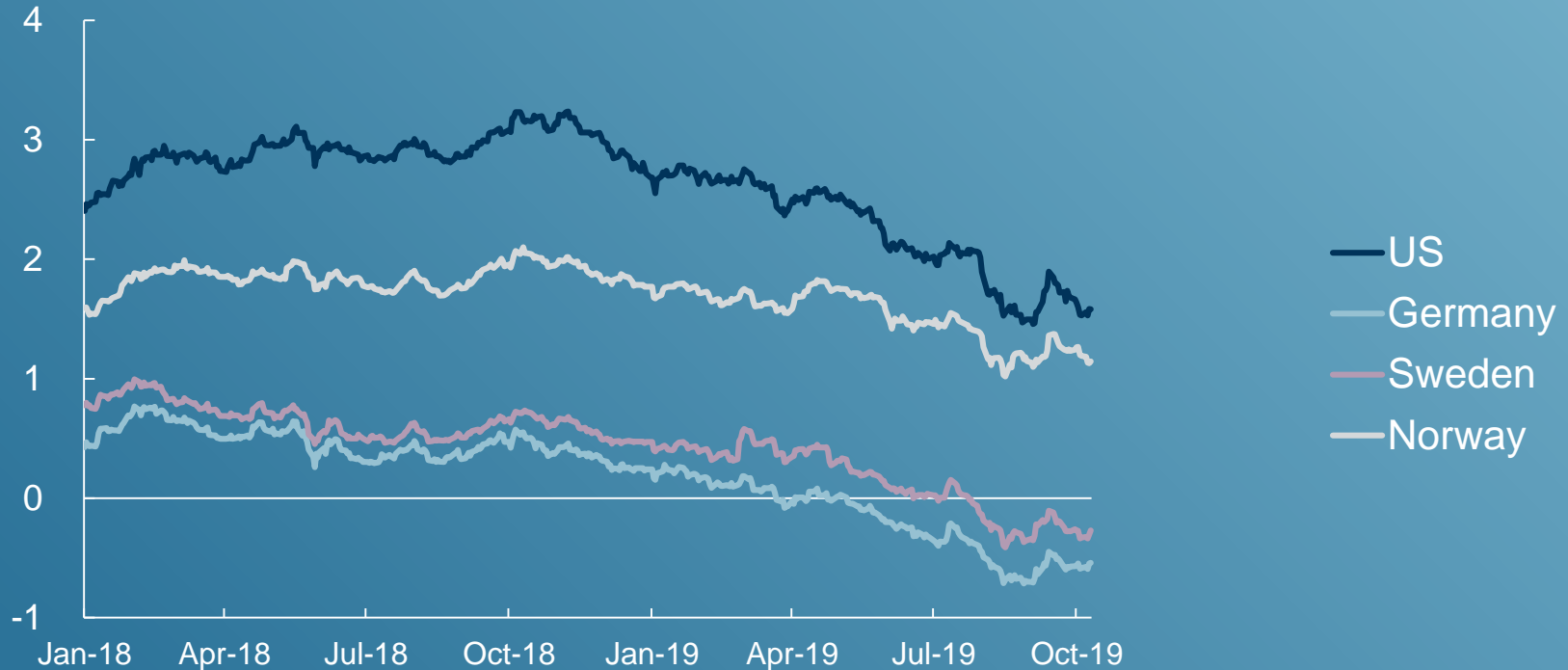
**...however**

- Geopolitical uncertainty
- Trade tensions
- Weaker growth outlook



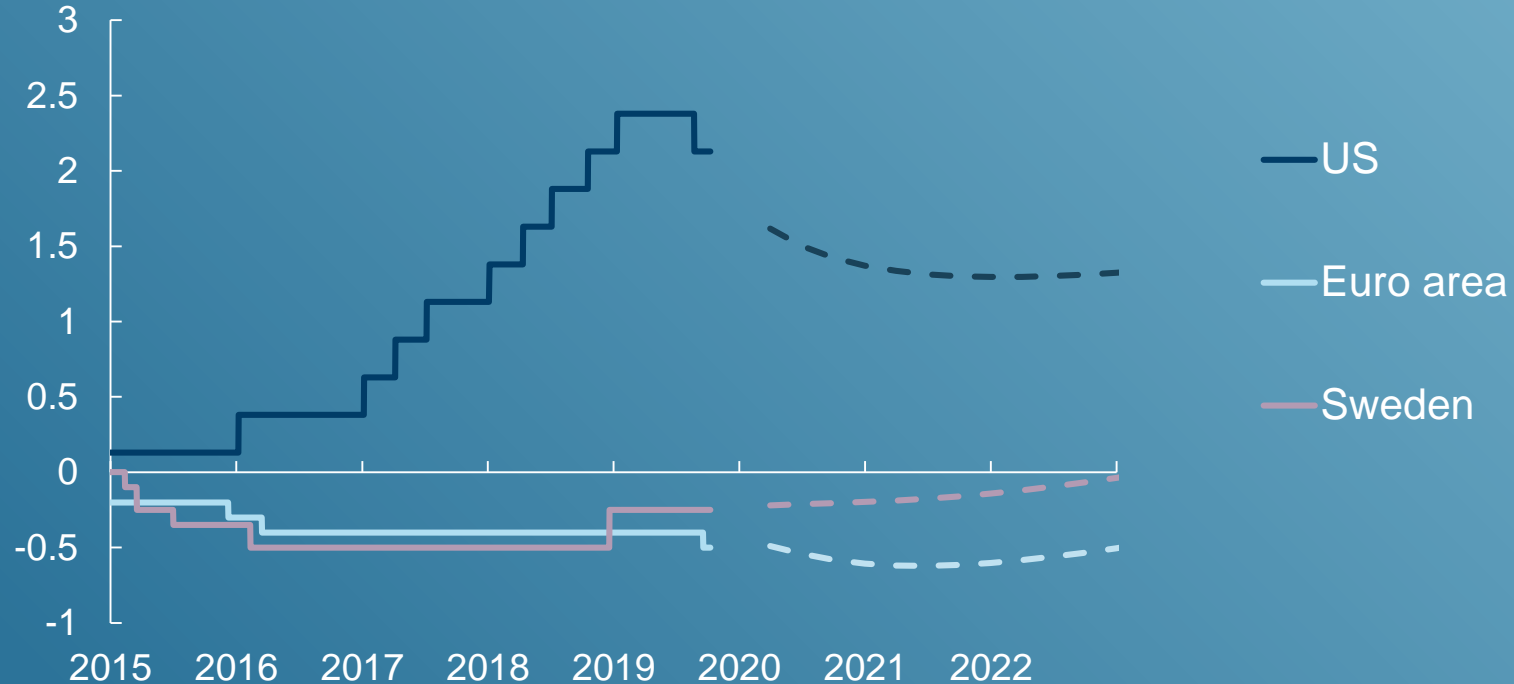
# Low global interest rates

Yields on 10-year government bonds. Percent



# Low policy rates

Policy rates and estimated forward rates<sup>1)</sup>. 11 October 2019. Percent



1) OIS rates.

Sources: Bloomberg, Thomson Reuters and Norges Bank



## 2. In Norway, conditions have improved





# Regulation on Monetary Policy

## Section 3

(...)

Inflation targeting shall be forward-looking and flexible so that it can contribute to high and stable output and employment and to countering the build-up of financial imbalances.



# The Executive Board's assessment and interest rate forecast



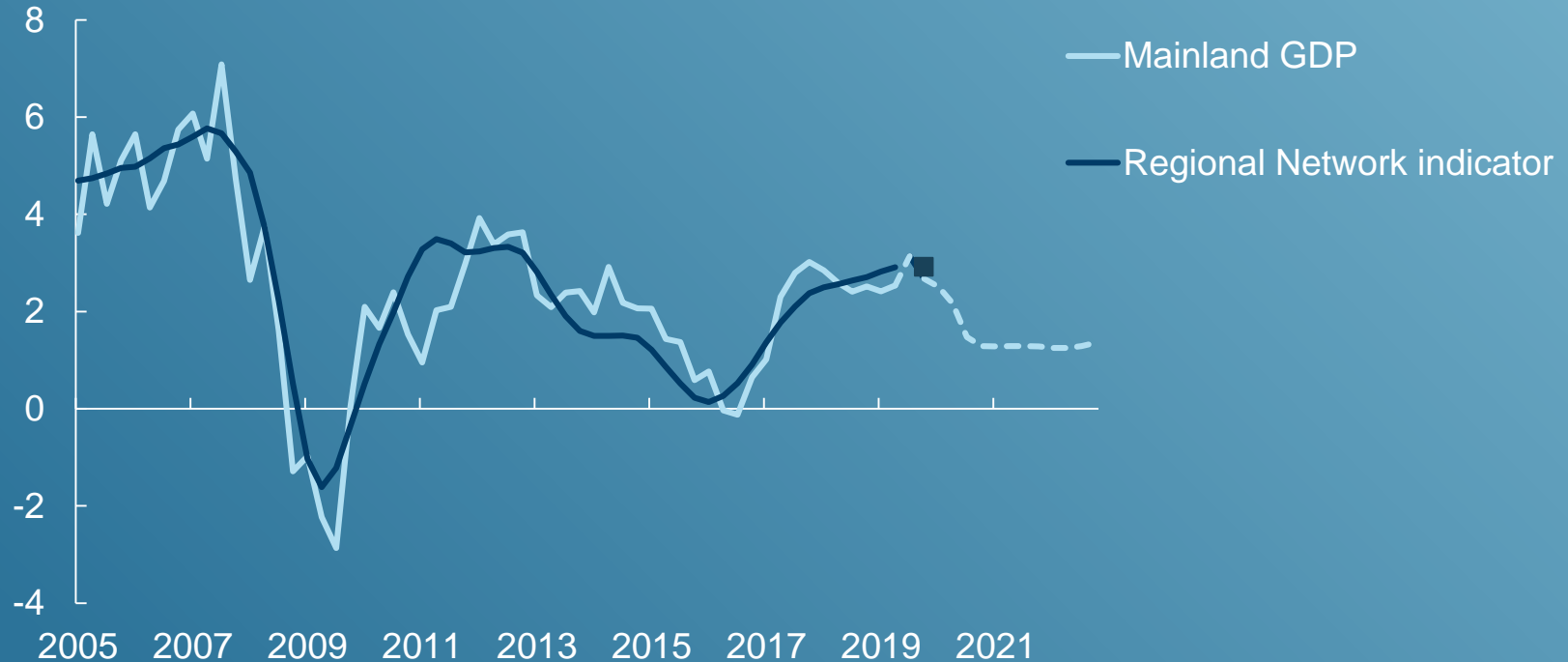
## Policy rate meeting on 18 September:

- The Executive Board decided to raise the policy rate to 1.5%.
- The Executive Board's current assessment of the outlook and balance of risks suggests that the policy rate will most likely remain at this level in the coming period.



# Solid growth in the Norwegian economy

Four-quarter change. Percent

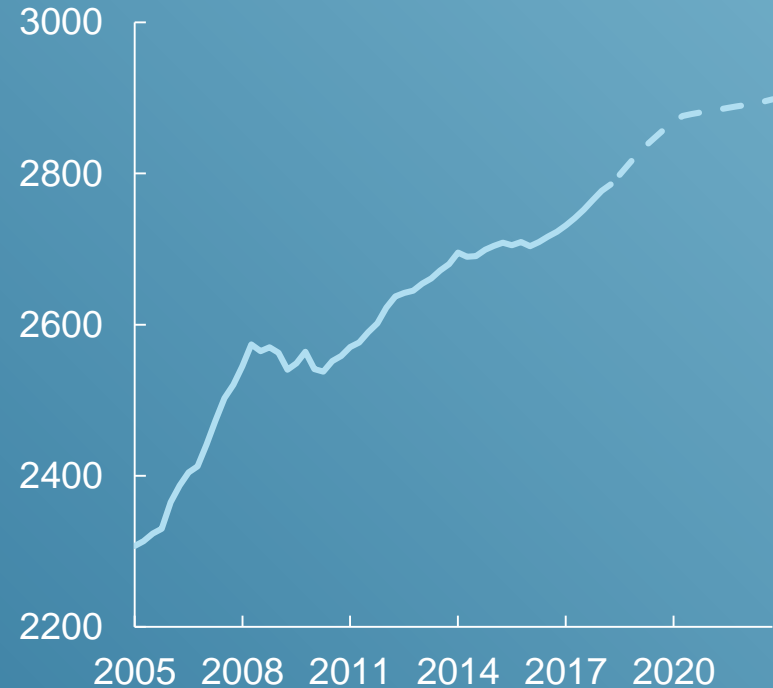


# Continued improvement in the labour market

Registered unemployed as a percentage of the labour force



Employed. In thousands of persons



# Inflation is close to the target

Twelve-month change. Percent

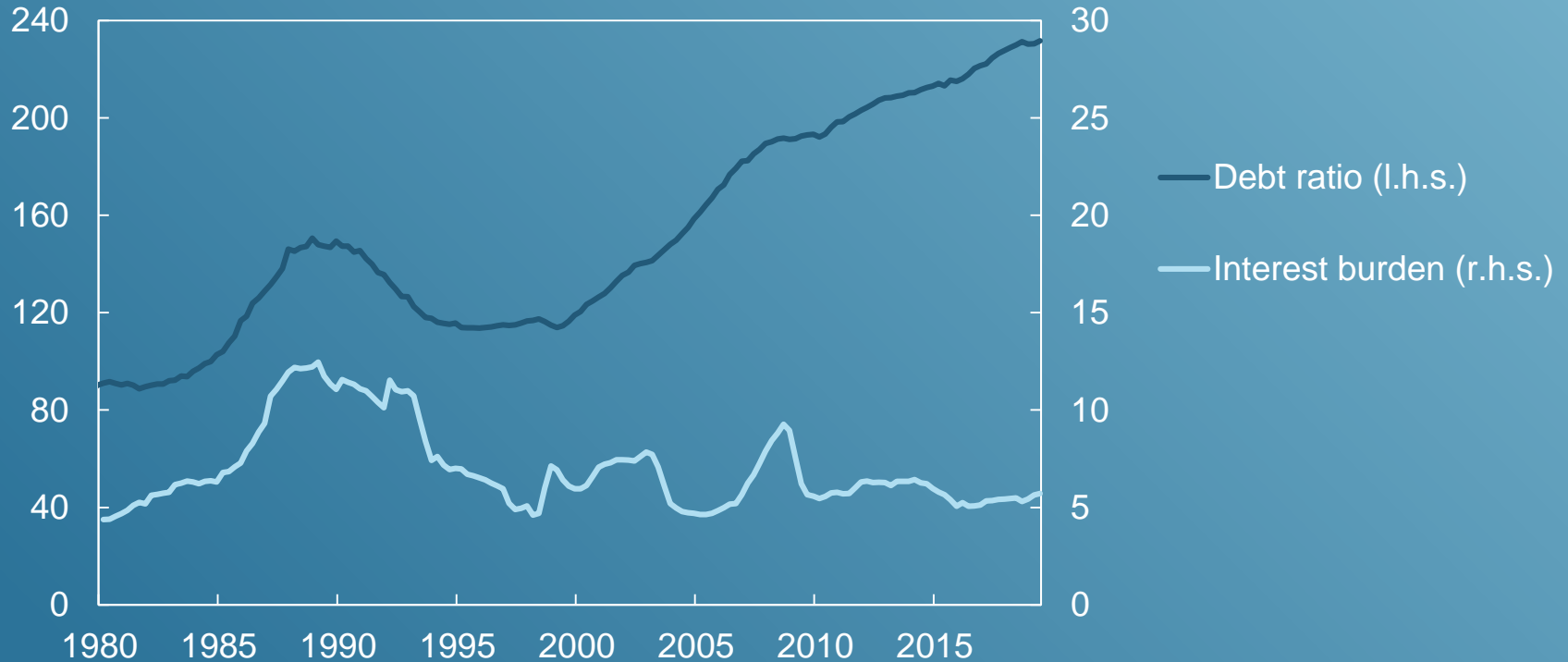


### 3. Balance in the housing market?



# Households are highly leveraged

Percent of disposable income



# ...but debt growth has slowed

Percent





# House prices are at a high level...

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Sources: Eiendomsverdi, Finn.no, Norwegian Association of Real Estate Agents (NEF), Real Estate Norway, Statistics Norway and Norges Bank



# ... but house price inflation is moderate

House prices. Twelve-month percentage change

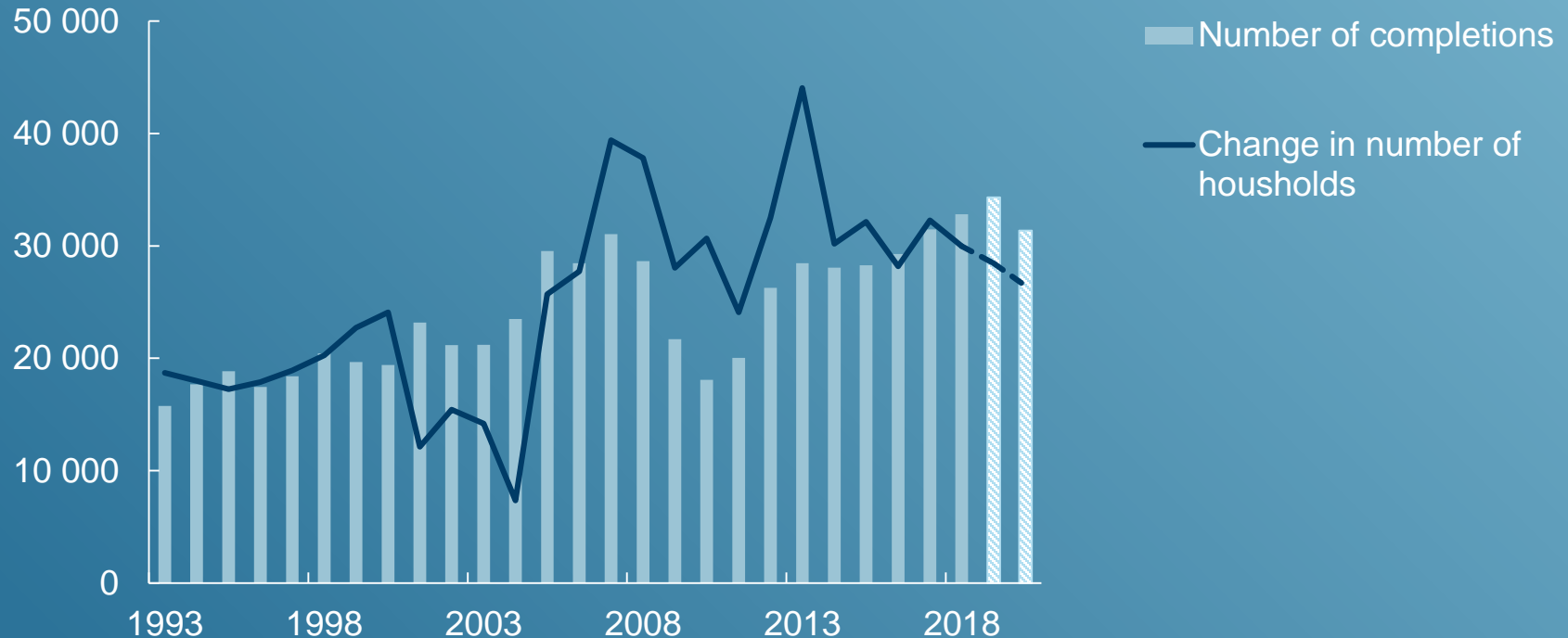


Sources: Eiendomsverdi, Finn.no, Real Estate Norway and Norges Bank



# Housing construction remains elevated

Housing completions and annual change in number of households

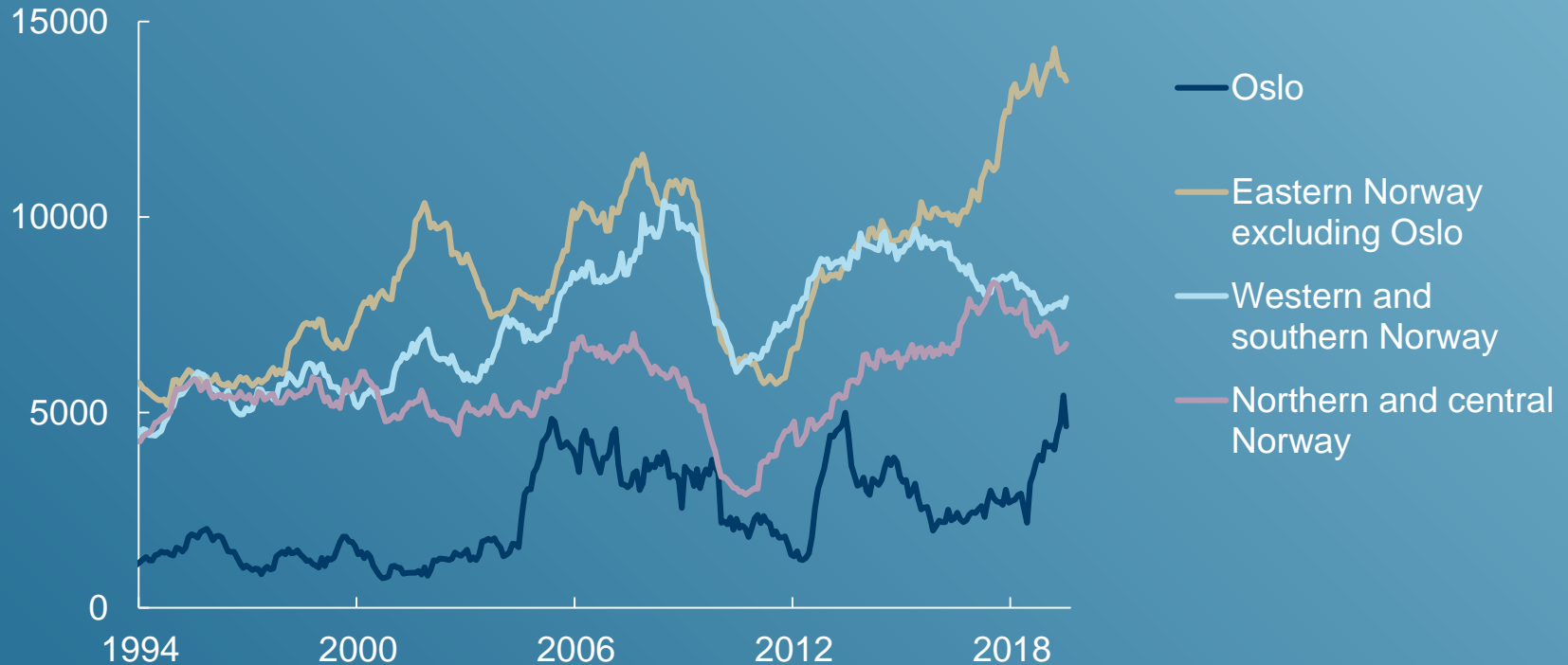


Sources: Statistics Norway and Norges Bank



# Completions high in eastern Norway

Housing completions in the past 12 months

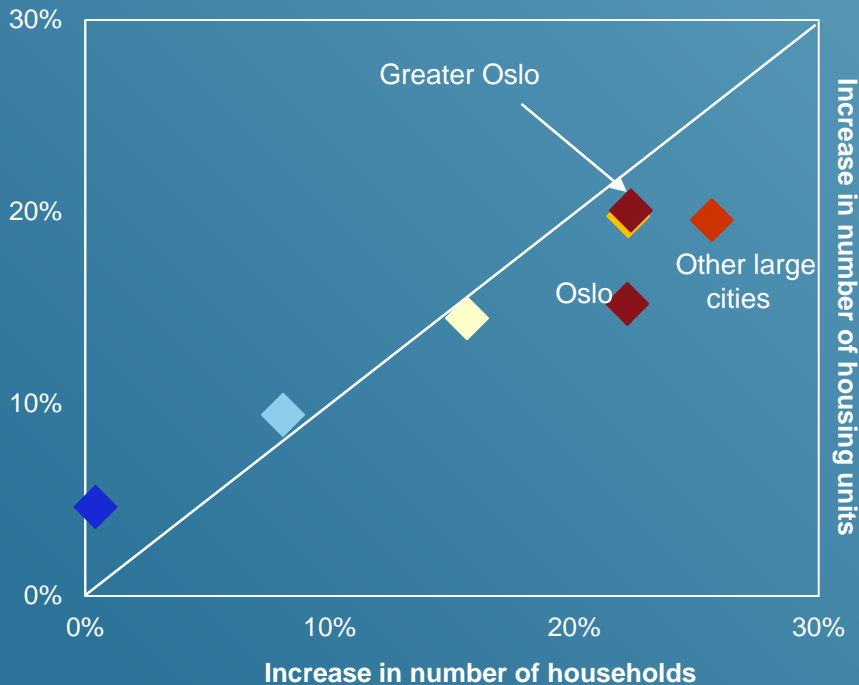


Source: Statistics Norway

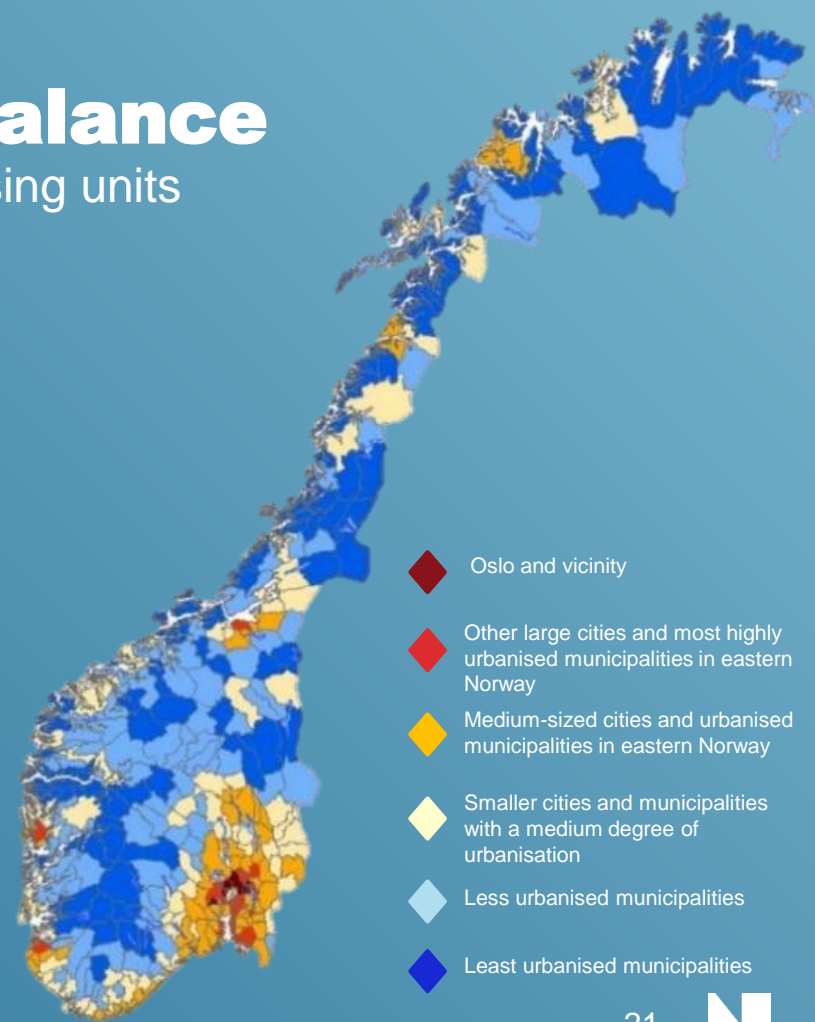


# ...but the market is in balance

Increase in numbers of households and housing units by urbanisation class. Percent 2006 – 2018



Sources: Statistics Norway and Norges Bank





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